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East Europe Report

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21 AUGUST 1986

EAST EUROPE REPORT

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ROBOTICS APPLICATION IN AGRICULTURE, FOOD PROCESSING INDUSTRY

East Berlin AGRARTECHNIK in German Vol 36 No 6, May 86 pp 195-197

[Report by Dr of Engineering G. Andres and Dr of Engineering W. Erdmann, both of the Chamber of Technology]

[Text] On 21 and 22 January 1986, the committee of experts on robotics of the KDT [Chamber of Technology] trade association for agriculture, forestry and food processing equipment held the 1st Scientific-Technological Conference on the Use of Robotics in Agriculture, Forestry and the Food Processing Industry, in conjunction with the KDT combine activist group of the Agricultural Equipment Repair Combine and other expert organs of the KDT. Some 400 specialists from all sectors of agriculture, forestry and the food processing industry, other branches of the GDR economy as well as specialists from the CSSR, the People's Republic of Poland, the People's Republic of Bulvaria and the Korean Democratic People's Republic attended the conference.

Thirty-seven lectures both to the plenary meeting and the two sections dealt with key issues of the development and deployment of robotics, sensor and control developments and also presented examples of robotics use.

Plenary Meeting

To introduce the plenary meeting, Comrade Simon, deputy minister for Agriculture, Forestry and Foodstuffs reported on the satisfactory results so far achieved with regard to the development, production and use of robotics in agriculture, forestry and the food processing industry.

Research and development collectives in enterprises and facilities were able up to now to develop and transfer to production 31 types of multiple use robots for the specific requirements of agriculture, forestry and the food processing industry. They include the following:

- Remilking and milking equipment removal robots NAR/M 623-IV (developed at Karl-Marx-University Leipzig on behalf of the Elsterwerde Impulsa Plant Construction VEB)
- Net weighing robot WR 2/A-IV and mesh bag filling robot NBR 1-IV for apple preparation

- Moisture meter and sampling robot FPR 1h-IV for grain reception
- Programmable stacking robots for wood and cardboard boxes STR 1-I
- Technological unit for producing liquid eggs TTR 20 p-IV
- Egg packing robots EAPR 1-IV
- Robots for packaging jars and cans in cardboard boxes
- Stacking and turning line for soft cheese production ST UW 1-IV
- Lumber processing robots SAM 1-IV
- Process specific loading robots for machine tools and analogous uses
BR 10h=III and BR 20p=III
- CO -coating welder robots for repairing components SR 05-IV
- 2
- Freely programmable technological robot for the automation of unscrewing
for dismantling purposes DSE 1-II.

In 1981-1985, 3,205 robots were produced and 3,180 robots deployed in agriculture, forestry and the food processing industry, including 1,935 remilking and milking equipment removal robots. To be mentioned in particular is the contribution of the central robot construction unit for agriculture, forestry and the food processing industry, that is part of the Farm Equipment Repair Combine VEB. It produced 87 percent of all robots. It will be imperative to further strengthen central robot construction in both volume and quality. This applies specially to

- The further expansion of the material-technological base for the development and production of robots
- The comprehensive use of computer backed work for the efficient development of robot equipment at the best possible quality and for production preparation
- The increasing use of robots for the production of components and subassemblies for robot equipment
- The planning of complex technological solutions for the use of robot equipment and for making available the robots needed for that purpose.

Rationalization aid construction in all combines and enterprises must provide further contributions.

The widespread use of robot equipment in agriculture, forestry and the food processing industry was largely encouraged by the creation of persuasive models at such enterprises, for example, as the Walter Schneider VEG [state farm] Eisleben, the LPG (T) [livestock production agricultural producer

cooperative] Jaenickendorf, the Fresh Egg and Broiler Production VEB Koenigs Wusterhausen, the Poultry Processing VEB Neubrandenburg, the Equipment Combine for Beef Cattle and Pig Plants VEB Nauen, the Agricultural Equipment Repair Works VEB's Jueterbog and Gerbstadt and the Kreis Enterprise for Farm Equipment VEB Bitterfeld. It will now be particularly important by the use of robot equipment to provide a greater contribution to the further rise in output of agriculture, forestry and the food processing industry and, at the same time, obtain greater manpower savings in the specific conditions of agricultural primary production and processing. The following fundamental orientations need to be kept in mind:

- All efforts must be further and resolutely pursued and heightened so as to expand the field of application for process specific robot equipment. That includes the application of already developed robots to related fields.
- More than in most other sectors of the national economy is it imperative to develop, test and use specific sensor and claw-feed systems in conjunction with 2d and 3d generation robots.
- In order to achieve better economic effects, it will be necessary in 1986-1990 to work out more complex solutions for using more robots in self-contained technological lines and increasingly linking robot equipment with microprocessor equipment for the creation of production monitoring and control systems.
- Fundamental work must begin on the future use of freely programmable and autonomous agriculture robots for general use in livestock production, hothouse management, truck gardens and orchards.

The use of robot equipment must be substantially increased in 1986-1990. It will therefore be necessary for all combines and enterprises to further strengthen the collectives for object concrete use preparation. On the one hand it is imperative to resolutely pursue the use of already developed and tested robot equipment at a steadily improving quality, on the other we must ensure the rapid and efficient use of newly developed robot equipment.

Taking as his cue the challenges of the 10th and 11th SED CC Plenum with regard to the steadily more effective use of key technologies in all spheres of the national economy, the speaker elucidated the main directions of robot use in conjunction with the microelectronic monitoring, control and accounting of production in the various sectors of agriculture, forestry and the food processing industry in 1986-1990. He clearly showed that the use of robotics in agriculture, forestry and the food processing industry is still in its infancy, and that the field of application of robot equipment must be significantly expanded in 1986-1990 by active and creative work, extensive initiatives of the collectives with regard to research and development, design and production as well as the preparations for the use of robot equipment.

In summation, the speaker emphasized the following tasks in particular:

- The GDR Academy of Agricultural Sciences (AdL), the Scientific-Technical-Economic Center VEB (WTOeZ) of the Food Processing Industry and the scientific facilities of the centrally managed combines and VVB's [associations of state enterprises] must intensify their research and development work to speed up the necessary scientific-technological approach to the development and use of robotics in complex and reorganized technological segments. This research and development approach includes:

The preparation of studies and process analyses for the scientific mastery and optimalization of the operations as well as the working out of the algorithms for process control

The planning of robot backed equipment for the creation of complex solutions accompanied by the inclusion of computer backed production monitoring, control and accounting

The development and testing of robot equipment for new fields of application by the use of new operational principles, including the creation of farm specific sensor and claw-feed systems and the transfer of tested A4 performances to the robot construction of agriculture, forestry and the food processing industry. At the same time it will be necessary to reinforce the advance work on 2d and 3d generation robots.

The centrally managed combines will have to provide a greater contribution to the development of robotics. The Center for the Application of Microelectronics (ZAME) at the Farm Equipment Repair Combine VEB must tightly organize, speed up and unreservedly guarantee the transfer of completed A4 performances to robot construction in the combine or other enterprises of agriculture, forestry and the food processing industry, in close cooperation with the AdL, the WTOeZ VEB's of agriculture, forestry and the food processing industry and the scientific facilities of the centrally managed combines and VVB's. The scientific facilities must actively cooperate here. ZAME must develop extensive activities for encouraging application in order to as per plan prepare the production and use of robots to satisfy the demand. Robot construction in the Farm Equipment Repair VEB must be further expanded with respect to volume and quality in order to achieve even lower costs of the production of robots coupled with the simultaneous improvement of their quality and reliability. Modular design must be increasingly used so as to simplify the maintenance of robot equipment. That applies most of all to control equipment. Attention is therefore drawn to the need for the far reaching utilization of the MRS 700 computer system produced by the Karl-Marx Numerical Control VEB (NKM).

- The new and more challenging tasks with respect to the use of robots require the fundamental improvement of the standard of preparation for operation at all users. Efficient groups for the preparation of

operation must therefore be established or reinforced at all centrally managed as well as bezirk managed combines. Based on earlier experiences, operational preparations must be expanded to complete technological lines in order to overcome the unduly specialized use of robots and achieve better economic effects.

Users must therefore more than hitherto meet their responsibilities for the development and use of robot equipment for their own engineering processes and, consequently, actively organize cooperation among the respective enterprises and facilities.

The report by Professor Priebe, doctor of agricultural sciences, Schlieben/Bornim Research Center for the Mechanization of Farming, noted that the use of robots in agricultural primary production displays some specific features. Generally these require the greater use of sensors. In these circumstances, efficient robot use needs comprehensive process analyses to begin with, in order to purposefully prepare the complex use of robots. The speaker pointed out that the sensors and data processing for industrial developments do not meet the needs of the process of agricultural primary production. It is therefore necessary to develop specific sensors. Primary processing, storage and marketing facilities for potatoes, fruit and vegetables as well as for livestock production were cited as the key issues for agricultural research in the field of robot use.

Senior Engineer Voelzke, Farm Repair Combine VEB, spoke of the experiences gained in the development, production and use preparation of robot equipment in 1981-1985. He summarized them as follows:

- Up to now 20 different types of robots have been developed. It became obvious that more advance research is required.
- The requirements on the new equipment must be deduced from future technological developments and set out in good time in the form of coordination agreements with the users of the robots.
- Shorter development and transfer delays call for the readiness to take risks, for confidence and comradely cooperation by all the partner involved in the process.
- Model solutions must be created as persuasive first steps to widespread application.
- The best experiences were collected wherever the social forces were involved from the outset and the creative initiative of the working people allowed to develop.

Dr of Engineering Opitz, Karl-Marx-Stadt Technical College, demonstrated a flexible assembly system for machine tool subassemblies (assembly cell). He noted that, by comparison with other part processes, the automation of assembly makes greater and qualitatively new demands on production preparation and manufacturing equipment. The core of the assembly cell is a freely programmable industrial robot. Other part systems help make available

components and produce connections. Jointing mechanisms are needed to counterbalance positioning inaccuracies of the part systems and the tolerances of the components.

Certified Engineer Schubert, Central Industrial Plant Construction for Metallurgy VEB (ZIM), presented the technical parameters of the ZIM product line ZIM 10-1, ZIM 60-1, ZIM 69-2 and ZIM-PORTAL. He also described peripheral and claw-feemodular units and sensors offered by the ZIM VEB. In conclusion he pointed out that vertical and horizontal bent arm robots are in the course of development as 2d and 3rd generation robots for welding processes.

Basing on evident development trends in the manufacture of components and equipment as well as on the explanation of the general function of the CCD [charge coupled device] line-scanning camera, Certified Engineer Zischank, Ilmenau Technical College, reported an example of the use of a CCD line-scanning sensor in the furniture industry.

Engineer Pasek (CSSR) reported on the results of the use of microelectronics and robotics in Czechoslovak agriculture. The following are considered key issues for further developments:

- Production monitoring and control device for milk production
- Microelectronics and robotics in livestock keeping.

The lecture by Senior Engineer Wernsing, NKM, dealt with technical data and special applications of the NKM VEB control families as well as the fields of application for the controls and the criteria governing their choice.

Certified Engineer Zoephel, Fresh Egg and Broiler Production Koenigs Wusterhausen VEB, described an example of complex robot use and the utilization of microelectronics in the poultry production assembly line. By comparison to 1975-1980, this complex robot use enabled the VEB to raise labor productivity by 100 percent.

A lecture by Certified Engineer Albert, Dairy Combine Frankfurt(Oder) VEB, concluded the plenary session. He described the broadly effective utilization of microelectronic controls for robot backed production processes and management experiences gained by means of the milk bottling line for the preparation and execution of rationalization measures.

Section 1: Robotics in Agricultural Primary Production and Product Processing

The contributions in this section concentrated on basic technological solutions for robot backed process segments in agricultural primary production and product processing.

Relative to the first group of topics dealt with in this section, lectures by specialists from the WIOeZ of the Meat Industry Magdeburg VEB, the WIOeZ of the Dairy Industry Oranienburg VEB, the WIOeZ of the Cereal Processing Industry Berlin VEB, the Industrial Livestock Production Berlin VE Combine and the VVB Seeds and Seedlings Quedlinburg provided a survey of the status,

further development and use of robotics in the respective sectors. Also in this session, Dr of Agronomy Valentin, Engineering Office for Poultry Management Berlin VEB, described successful cases of the use of robots and future key points of robot development and the use of microelectronics in industrial livestock production.

Relative to the second group of topics, basic proposals were presented for the use of robots in milk production, meat processing, canning, cheese production and fruit marketing. Two contributions dealt with the use of robots in forestry. The following examples offered in this group of topics:

- The use of tipping bowl milk volume measuring devices for the detection of individual milk yields and the control of remilking and milking equipment removal robots (Dr of Engineering Preuss/Dr of Engineering Beyersdorfer, Institute for Beef Cattle Production Iden-Rohrbeck)
- Robotics in the food processing industry (Engineer Skalicka, CSSR)
- Experiences with the use of programmable controls with regard to fruit marketing (Engineer Froelich, Agrotechnical Repair Works Naumburg VEB)

Section 2: Robotics in Maintenance and Rationalization Aid Construction

Outstanding examples were cited in this section with respect to robot use in subassembly repairs, the servicing, care and maintenance of rail vehicles and the realization of complex rationalization measures and manufacturing processes.

Dr of Agronomy Lehnert, Agrotechnical Repair Works Jueterbog VEB, presented the example of complete robot deployment for the disassembly of motors in his enterprise. These rationalization measures were based on the settlement of the following problems related to the increase of the efficiency of motor repairs and the improvement of working conditions:

- Internal and external cleansing of the motors before disassembly
- The flexible mechanization of the screwing processes
- Mechanized transportation.

These rationalization measures achieved a rise to 135 percent of labor productivity, the relative freeing of six workers and a 1.32 year extension of the life of the motor. Eight work stations with unpleasant working conditions were eliminated.

Professor Rehnert, Friedrich List College for Transportation Dresden, provided a survey of the many and varied uses of robotics for the maintenance and repair of rail vehicles. These are very similar to the processes for repairing mobile farm equipment. Welding, assembly, coating, handling and transportation are the key points for the use of robots.

The future development of robotics is expected to emphasize the unity of microelectronics, robotics and CAD/CAM technology. It was explained that systematic process analyses are bound to be the starting points for the use of

robots with regard to the maintenance and repair of rail vehicles, too. The greatest efficiency in the use of process specific robotics was said to have been achieved in technological units.

Certified Engineer Ruemkler, Agrotechnical Repair Works Schwerin VEB, reported about a flexible and sensor controlled repair system for electric motor armatures.

Dr. of Agronomy Schurig, Agrotechnical Combine Erfurt VEB, presented another flexible repair system for reprocessing harrow tines. The core of this technological unit is a reducer roll with manipulator. Two BR 20 p Robots take on the operational function in the technological unit. The necessary reprocessing step is fixed by means of the automatic classification of the harrow tines.

Certified Engineer Maul, Kreis Agrotechnical Enterprise Vogtland VEB, used the example of tailgate manufacture to present fundamental methodological considerations with regard to the ascertainment of the use value of complex automation measures complete with robot use. In addition to engineering-technological and factory management aspect, the achievement of the greatest possible efficiency required above all an adequate volume and the stability of production.

The two subsequent lectures dealt with examples of the use of robots in the manufacture of component parts and the construction of rationalization aids. Engineer Lenke, Agrotechnical Repair Works Jueterbog VEB, demonstrated examples of his enterprise's use of robots for component manufacture. The modernization of program controlled machine tools by the integration of flexible robot equipment is characteristic for these applications (a robot directly flange-mounted on a DRT 80 drum lathe carries out the automatic loading and unloading of work pieces from storage; the automatic delivery of bars to an abrasive cutting-off machine; a machine integrated variant analogous to the first example). The modular pneumatic BR 20 p robot has done very well with regard to these tasks.

Certified Engineer Busch, Rationalization Aids Crop Production Combine Sangerhausen VEB, cited the production program of his enterprise to demonstrate the necessity for using microelectronics and robotics for in-house production processes. He presented selected technological units and spoke of the experiences gained in their preparation for future use.

The last group of lectures dealt with the use of technological robots for repairs. Engineer Arndt, Agrotechnical Repair Works Gerbstedt VEB, described a further developed technological unit for the manufacture of clutch carriers and the regeneration of clutch covers. The basic technological operations include turning, boring, deburring, hardfacing and refinishing.

Certified Engineer Jagusch, Combine for Horticultural Equipment Berlin VEB, reported first experiences of the use of ZIM robotics by citing the example of a welding work station. During tests, 30 different subassemblies with batch sizes of 20 pieces (measurements up to 700 mm x 500 mm x 190 mm) were produced

at this welding work station. The length of weld did not exceed 100 mm. The results achieved were as follows:

- The required quality of the welds was assured.
- Curved welds are not possible if the radius is less than 30 mm.
- The cost of the manual drive of the welding process with subsequent programming depends on the complexity of the weld construction and amounted to 1-8 hours.
- The weld quality is guaranteed at a permissible burner deviation of plus or minus 0.5 mm. This implies greater demands on the hardening or design of the subassemblies to be welded. For these reasons it is advisable for the weld length not to exceed 300 mm. In these circumstances it is at present impossible to weld bent components and sheet components.

Another lecture by Certified Engineer Zenker, Testing and Experimental Enterprise Charlottenthal VEB, dealt with experiences and conclusions regarding the further use of technological robots for hardfacing at the various levels of repairs. The machine system developed for this purpose includes the following types:

- DV1 rotary device for manipulating robot components
- SR 06 welding robot
- ASR 1-II hardfacing robot.

The most important technical parameters were enumerated for all types and the most promising applications demonstrated. As for the preparation of their use, suggestions were offered regarding assortment analysis and the planning of the management-organizational and technological procedure related to the use of hardfacing robots.

In conclusion, representatives of both sections praised the interesting and intersectoral exchange of experiences as having been successful and fruitful. The examples, experiences and suggestions presented in the various lectures were considered an important basis for future work. The following further tasks were mentioned:

- The achievement of an even better quality of robot use
- The creation of complex automation solutions in the combination of microelectronics, robotics and CAD/CAM technology
- The preparation of the use of 2d and 3d generation robots in the form of the utilization of assembly line produced, process flexible and in-house developed process specific robotics as well as the further development of control, claw feed and sensor equipment.

While the conference was in session, a poster exhibit informed attendants about the results achieved by collectives in the development and use of robotics in the specific circumstances of agriculture, forestry and the food

processing industry. Intensive discussions by experts helped exchange experiences and provide many stimuli for the widespread application of these results.

Selected contributions to this exhibit are presented in this issue following the above report.

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ECONOMIC, MANAGERIAL ASPECTS OF FOOD INDUSTRY COMBINES VIEWED

Moscow/East Berlin INTERNATIONAL ZEITSCHRIFT DER LANDWIRTSCHAFT in German
No 3, 1986 pp 213-215

[Article by Prof Dr of Sciences Guenter Erk, first vice chancellor; Dr Fritz Krull, College for Agriculture and the Foodstuffs Economy in Bernburg, chief assistant; Dr Martin Schenk, chief director of the dairy farming combine, Frankfurt/Oder; and graduate agricultural economist Hans Fischer, first deputy to the combine director of the VEB slaughter and processing combine, Eberswalde/Britz: "The Combines of the Foodstuffs Economy in the GDR"]

[Text] In recent years, the economic organization as well as the management, planning and economic accounting in the foodstuffs industry of the GDR were further improved. In this branch of the national economy as well, it is thereby a matter of establishing all of the preconditions for the successful implementation of the economic strategy of the SED for the 1980's as presented by Comrade Erich Honecker, general secretary of the SED Central Committee, in his report to the 10th Party Congress. The measures that have been introduced promote the comprehensive intensification of production and ensure a continued high increase in efficiency as well as the progressive socialization of production and labor in the foodstuffs economy.

The performance of the approximately 133,000 workers of the foodstuffs economy indicates that the improvement of the socialist production relations is proving successful and guaranteeing the necessary latitude for the development of productive forces. In 1984, then, the processing of the agricultural output was increased by an ample 7 percent relative to 1983 and, at the same time, the quality of the products was improved through a higher consumption value and an increasing degree of processing and preparation. The production volume of the foodstuffs economy increased to about 46 billion marks with an increase of about 6.5 percent for both labor productivity and net product combined with a cost reduction to 99 percent, including a reduction in the energy cost from 2.3 marks per 100 marks of commodity production in 1983 to 2 marks in 1984. Thus in 1984 as well, in close cooperation with the cooperative farmers and agricultural workers, the workers in the foodstuffs economy helped to ensure the stable provision of the population with foodstuffs in accordance with demand while per-capita consumption further increased and to achieve an increase in economic output with a more favorable relationship between expenditures and results.

In the case of the measures introduced in recent years to improve the economic mechanism, it was a matter of applying the proven theoretical knowledge and practical experience meaningfully in establishing and consolidating the industrial combines in the foodstuffs economy. The combines are proving themselves more and more as the suitable economic-organizational, economic and social units to express the comprehensive intensification in developed socialism. They integrate the production stages necessary for the final products under the central responsibility of the general or chief director. They are usually directly subordinate to the ministers, receive binding state plan targets, and work in accordance with economic accounting. The crucial components of the relatively self-contained reproduction process of the combines also includes the necessary research and development potential of its own, planning, the creation of the means of rationalization as well as facilities for effective sales and also for the social care of the working people. The combines are divided into enterprises that are economically and legally self-responsible and with which the workers feel themselves closely linked.

Standards for the work of the combines include the main national economic indices such as their net production on the basis of marketable and demand-oriented produced goods for the national economy, for the population and for export, the level and rate of increase of labor productivity, or the utilization of material and resources.

The foodstuffs economy in the GDR includes the eight industrial branches and sectors that immediately work and process or store agricultural raw materials. They are subordinate to the Ministry for Agriculture, Forestry and Foodstuffs. Involved are the meat industry, the dairy industry, the grain processing industry, the egg and poultry industry, the sugar industry, the starch and potato-processing industry, refrigeration and warehousing, and the processing of animal raw materials and fur farming. The fruit and vegetable processing industry as well as the baked goods and beverage industry are managed by other ministries.

In the foodstuffs economy, the following specifics must be considered in the formation and consolidation of the combines:

1. The products of the foodstuffs economy are primarily basic foodstuffs that must be made available to the consumer daily with a high degree of freshness and as demanded with respect to quantity, assortment and quality. That requires a close cooperation of the enterprises and combines of the foodstuffs economy with the socialist agricultural enterprises, trade institutions and transport enterprises and also requires the shortest commodity routes. Real planning and balancing of the available commodities, ordering systems capable of reacting, an adequate storage capacity and prompt delivery through rationalized route plans accelerate the intensification process and are becoming increasingly important. The aim should therefore be to have perishable foodstuffs and those that are costly to transport produced near the consumer. It has worked out well that the enterprises of the meat and dairy

industry, the egg and poultry industry and the grain processing industry take over the responsibility for the demand-oriented and reliable provision of the population in a certain territory with the full product assortment.

2. The foodstuffs economy has the task of processing agricultural production to suit the consumer, with the lowest losses, the least possible expenditures, and a high degree of processing, which results in very close relations with agriculture. The qualitative and quantitative parameters and the cycle of the availability of agricultural raw materials as well as the transportation to the processing enterprise influence the efficiency of the foodstuffs economy. There is a strengthening of the ties of the foodstuffs enterprises to the sites of agricultural raw materials production and there is more development of friendly cooperation between the LPG's [agricultural producer cooperatives] and VEG's [state farms] and the enterprises of the foodstuffs economy on the basis of cooperation agreements.

3. The ensuring of a demand-oriented and reliable provision of the population with foodstuffs remains a basic task of the local state authorities in the districts [Kreisen] and regions [Bezirken]. On the one hand, they resolve this task in close cooperation with the enterprises and combines of the foodstuffs economy by way of democratic centralism. On the other hand, they also manage and plan the agricultural raw materials production in the territory. Consequently, an appropriate form of solid management relations must be ensured between the councils of the regions and combines of the foodstuffs economy.

The effect of these specifics is that the positive experiences of GDR industry in the establishment and consolidation of centrally managed combines directly under the minister and with a relatively closed reproduction process can be directly applied for only part of the foodstuffs economy. A modified system for the formation of combines had to be introduced for the foodstuffs branches that have extraordinarily close ties to agriculture and to territorial supply under the management of the local state authorities. It must respect the named specifics and also put into effect all possible advantages of the relatively closed reproduction process of centrally managed combines.

Consequently, the system of the economic and managerial organization of the meat, dairy and grain processing industries as well as the poultry industry is composed on three interlocking main components:

1. In the four branches named, the branch-specific combine subordinate to the respective regional council and having its enterprises distributed throughout the region is the basic economic-organizational form. The combine is closely linked with the supply installations on the one hand and with the LPG's and VEG's on the other. This best meets the requirements for a stable demand-oriented supply of foodstuffs in close cooperation with the cooperative farmers and the requirements of increasing efficiency in the process of comprehensive intensification. In this sense, there is now a total of 58 combines with about 106,000 workers in about 400 enterprises working in the 14 regions and in Berlin, the capital of the GDR.

2. For each of the four branches, a VEB scientific-technical-economic center (WIOeZ) operates in support of the combines under regional management. They are directly subordinate to the minister for agriculture, forestry and foodstuffs for the centralized branch-related resolution of certain processes and tasks. In close cooperation with the combines managed by the region, they ensure specifically for the branch for the dairy, meat and grain processing industry as well as the egg and poultry industry:

- research and development for new technologies and products on the basis of the highest scientific-technical level and the proposals submitted for price formation;

- the central branch coordination of the production of the means of rationalization and the determination of the demand for machinery, installations, packing material, and specific auxiliary materials;

- the central balancing of the raw materials and finished products of the respective branches and the ensuring of a uniform investment policy in the branch;

- the generalization of the best experience as well as the elaboration and testing of new solutions in the application of socialist enterprise management and the carrying out of central comparative performance appraisals, economic analyses and specific management information;

- the coordination of branch-specific measures for training and advanced training and of effective documentation and information for science and technology.

3. Under the regional councils, in the qualified guidance and support of the regionally managed combines of the meat, dairy and grain processing industry as well as the egg and poultry industry, a foodstuffs department is effective in each case. These departments ensure the preparation of state management decisions on the development of the foodstuffs economy in the respective regions. They support the implementation of the public measures for the stable demand-oriented supply of foodstuffs in the region and organize the control.

This cooperation is explained using the example of the Frankfurt/Oder dairy farming combine.

In 1984, the combine processed a total of 345 kilotons of raw milk with a fat content of 4.05 percent from 160 animal production LPG's and VEG's. The dairy farming combine with its 10 enterprises and its own fodder and milk inspection station works together very effectively in the cooperation union with the LPG's and VEG's. Milk output per cow was increased from 2,538 kg/cow in 1970 to 3,542 kg/cow in 1984 with an improving quality of raw milk. The combine has organized its own capacity for the production of the means of rationalization and is working closely and successfully with the WIOeZ of the Oranienburg milk industry on important innovative processes with its own scientific capacity--on whey leavening for the production of fodder protein, on the improvement in the use value of special cheese varieties, and on the

increase in the protein content of the raw milk for special cheese. Half of the enterprises were able to achieve the title "Enterprise of Excellent Quality Work." An energetic struggle is under way under the leadership of the combine management in all enterprises for a large saving of material, a continuous reduction of prime costs, and the most economical use of packing material, energy and all auxiliary materials to achieve a low cost ratio and a high labor productivity.

For each five-year plan period, the development program for the combine is prepared by the combine management and the regional council and approved by the regional council. A large concentration and specialization of production was achieved in the individual combine enterprises. Eight enterprises receive all of the raw milk of the region through special milk tank vehicles. Seven enterprises produce liquid milk products (certified milk, mixed milk drinks, cream, etc.), two enterprises produce fresh cheese, three enterprises butter, two enterprises rennet cheese, and one enterprise produces liquid and solid sterilized milk products. This specialization permits the use of up-to-date technological lines with high labor productivity.

The greatest possible processing of the raw material milk is sought (increased production of condensed whole milk, fresh creamery butter and buttermilk curds and expansion of the assortment of fresh cheese and delicacies). At the same time, certain enterprises are also being modernized. Thus the Beeskov Sterilized Milk Works were expanded through the addition of a certified milk department, as was the Eisenhuettenstadt dairy through the production of fresh cheese, which led to a more stable supply with lower transport costs. The further development is characterized by the fact that

- the daily processing quantity in the enterprises is continuing to increase,
- the number of utilization directions per enterprise is increasing,
- there is an increase in the multiplicity of the assortments that can be produced within the individual utilization directions and the enterprises are increasingly adjusting to a broader spectrum of products of the basic and delicatessen assortments, especially in industrial and densely populated areas.

Thus large consumer centers can be supplied daily with the entire assortment of fresh products such as certified milk, mixed milk drinks, curdled milk drinks (yogurt, kefir, buttermilk), various flavors of cottage cheese as well as fresh cheese from one point with low transport expenditures and high reliability for the consumer.

There are thereby increasing demands on the preliminary conceptual work and on the coordination of the different processes by the local state authorities. The combine management prepares itself to develop management work further in accordance with the new requirements. Also foreseen is a greater utilization of electronic data processing to rationalize management and administrative processes.

The second form of combine development in the foodstuffs economy is completely in accordance with the principles of economic management in the advanced industrial combines of the GDR.

In the course of 1984, four centrally managed combines of the foodstuffs economy were established that are directly subordinate to the minister for agriculture, forestry and foodstuffs:

- the sugar combine,
- the starch and potato processing combine,
- the combine for the processing of animal raw materials and fur farming, and
- the refrigeration and warehousing combine.

The slaughtering and processing combine in Eberswalde/Britz continues to be among the centrally managed combines.

About 27,000 employees work in these five combines. The centrally managed combines meet all the preconditions for a comprehensive intensification. They have their own research, development and planning capacity (institutes and scientific-technical centers) as well as enterprises or capacities for the production of the means of rationalization and the necessary preconditions for marketing under their own responsibility, including foreign trade functions.

In close cooperation with their subordinate enterprise managers in the exploitation of the possibilities of their economic organization, the general managers of these combines concentrate on such tasks as the

- purposeful implementation of scientific-technical progress, modernization and the expansion of capacity in key enterprises so as also to provide even more favorable transportation for the increasing production of agricultural raw materials in the source regions,

- concentrated development and introduction of new processes and products that make possible a reduction of losses and a greater processing of the raw material, a lowering of energy consumption, and a demand-oriented expansion of the assortment, whereby the cooperation with agricultural trade enterprises is systematically developed,

- more systematic improvement of the management, planning, balancing, economic accounting and implementation of socialist enterprise management in the combine as a whole and in each combine enterprise.

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ACADEMICIAN BOGOMOLOV ON SOVIET ECONOMIC REFORM PLANS

Warsaw ZYCIE GOSPODARCZE in Polish No 24, 15 Jun 86 pp 1,13

[Interview with Oleg Bogomolov, director of the Institute for the Economics of the World Socialist System, USSR Academy of Sciences, by Eugeniusz Mozejko]

[Text] [Question] Eugeniusz Mozejko: The resolutions of the 27th CPSU Congress assigning the task of a basic reconstruction of the economic mechanism of the USSR, direct attention to those Soviet economists who will have the job--although not they alone--of developing the theoretical foundations of this mechanism. Would you describe the main centers and directions of economic thought in the Soviet Union?

[Answer] Oleg Bogomolov: The economic sciences in the Soviet Union are well developed, and tens, hundreds and even thousands of economists--scholars and practitioners--are working on developing the theory and its practical applications. But probably the most important center of both theoretical thought and design applications is the Economics Department of the USSR Academy of Sciences. Many important research centers, such as the Economics Institute, the Economics-Mathematics Institute, the Institute for Economics and Scientific-Technical Progress Forecasting, institutes of the regional branches of our academy, for example, the Novosibirsk Institute for Economics and Industrial Production Organization, are concentrated around this department. Furthermore, the Novosibirsk branch exercises management supervision over the branch institutes which are part of the State Planning Commission system, such as the GOSPLAN Economics Institute, the Institute for Comprehensive Transport Problems, the Institute for Energy-Fuels Problems, and the Council for Study of Productive Forces. In a word, the role of the Economics Department of the Academy of Sciences in developing the most important concepts of our economic strategy and the economic mechanism itself, is very large.

But I do not mean to say that everything is splendid in the economic sciences, that all of these centers are performing their tasks faultlessly. There are also certain inadequacies and failures which were criticized. Our party's Central Committee had some very critical things to say about the Economics Institute and the Economics-Mathematics Institute, for example. But as you yourself know, without the theoretical concepts which the Soviet economists developed over the years, it would be difficult to imagine such a

broadly defined program as put forth by the 27th CPSU Congress. After all, it is based on the achievements of the economic sciences, including the study of experience in solving similar problems in other socialist countries.

Within the Department of Economics there is also the institute which I represent, the Institute for the Economics of the World Socialist System. Its task is to study and compare the economic and political processes which develop in a large group of socialist countries. Therefore, we are acting as a bridge between Soviet practice and the practice of other socialist countries. We study both our experience and that of our countries, make comparisons, and on the basis of such a very thorough examination of contemporary economic events we try to find and define general tendencies and rules.

[Question] Which groups, in your opinion, are particularly predestined to make a contribution to the development of the bases of Soviet economic reform? We know that some of them are especially involved in this matter, for example, mention was made of the Novosibirsk branch of the Academy of Sciences, and the institute which you personally direct.

[Answer] It is easier for someone on the outside to evaluate this. It would be hard for us to say who did more or less. It seems to me that we all try to make a real contribution to improving the efficiency of our economy. We have quite an efficient system of integrating the efforts of scholars. A state commission for improving the economic mechanism, economic reform, is functioning. Within the commission are government-approved science sections which are made up of leading scholars from the particular institutes. Not on the basis of the importance of a given institute, but on the basis of the achievements of the specialist himself. In this collective body bold discussions take place on all of the basic problems of our future.

[Question] Excuse me, Professor, but could you tell us a little more about this commission? How long it has been in existence, how large is it, who are its members.

[Answer] The commission is relatively recent. In its new form it has been in existence for a few months, but even before that there was a kind of prototype of such a commission. Now a restructuring, if I can call it that, has occurred. Earlier there was a similar commission in the Politburo of the Central Committee, and in it were science sections. Because of a change in jurisdiction, the matter of the rebuilding of the economic mechanism is now under the competence mainly of the Council of Ministers. The Politburo commission was transformed into a government commission. It is made up of leading economists. The science sections are directed by Academician Gvishiani, for he is the director of the All-Union Institute of Systems Analyses which concerns itself with management problems. The commission members include Academician Aganbegyan, Academician Anchyshkin, and your humble servant (Professor Bogomolov points to himself), and many other scholars.

[Question] The Institute for the Economics of the World Socialist System, therefore, concerns itself with the study of economic systems in specific

countries. You also said that the results of these studies cannot be mechanically copied, but certainly you consider some of them to be particularly.....

[Answer] ...instructive.

[Question] Precisely. And among these instructive experiences you mentioned, at your lecture before the Polish Economic Society, the GDR.

[Answer] I mentioned not only the solutions applied in the GDR. I often refer to the examples of other countries, such as Hungary... I even believe that certain management methods being applied today in China are instructive. Insofar as the GDR is concerned, unquestionably combines became the most effective forms of management, i.e., creations permitting a concentration of the entire technological cycle, or at least the basic elements of a specific type of production. The role of combines in the GDR is very important, especially as concerns the mastery of a new technique, or the acceleration of technological progress, and also as concerns the achievement of praise-worthy economic growth rate. But now we should evaluate the efficiency of an economic mechanism from the standpoint of the degree to which it assists in the execution of the intensification process. Results obtained in the GDR in the last 5-year plan show that large savings in fuels and raw materials per unit of production have been achieved, and also very high growth of labor productivity, over 6 percent a year, in industry. These are important indicators of the efficiency of the economic mechanism. Of course, in the GDR too, as in the other socialist countries, there is a need to improve existing forms of management and seek more successful solutions.

[Question] In your speeches you underscore the similarity of the directions of change in the economic mechanisms of the socialist countries, but in my opinion distinct differences are also apparent, differences which make it possible to single out two basic types: on one hand we have the mechanism based on central management, as in the GDR, where, it is true, combines have a great deal of autonomy but are centrally managed; on the other hand, we can name Hungary, which employs the market on a large scale. In your opinion, which type will Soviet reform represent? Or will it perhaps be a combination of both?

[Answer] Economic reform in the Soviet Union will ensue from those internal needs and problems which appeared recently. It will be, above all, a national response to the needs of the USSR society and economy, although it will also take into account the experience of other countries. We could use some kind of model developed in another country, or combine existing models, but in my opinion this would be a mistake.

[Question] I was not referring to a combination of existing, ready-made economic models, but rather to some kind of combination of theoretical concepts which could serve as a starting point in designing our own model.

[Answer] You see, sir, in theory considerable differences appear. In the viewpoints of Polish economists too, we can see two or three positions on the further improvement of your reform. Similar differences appear in other

countries also. Nevertheless, we scholars should objectively analyze the processes and see not only the theoretical concepts but also the real practice--in Hungary, in the GDR, and in the Soviet Union. Sometimes theoretical concepts take desires to be reality, yet a very calm examination shows that although, quite naturally, a national specificity appears which reveals itself in real practice and also in theoretical models, various shadings appear in them. But everywhere we are dealing with both of the principles you mentioned: In Hungary and well as in the GDR, there is a striving for expansion of economic autonomy in enterprises, a conversion to self-financing systems. At the same time, many measures have been taken to strengthen the central management of the economy, the central economic authority. This does not mean that it has to manage exclusively with the help of directives and orders. This authority becomes less perceptible, in the administrative sense, if it is implemented by means of economic levers. And we see that that is what is happening in Hungary and in the GDR. At the same time measures are taken not to let central management go. By the way, in Hungary--although perhaps not all economists know this--the share of central investment outlays is very high, i.e., those investments whose implementation is decided by the state. The state grants or refuses permission for credits for the construction of new buildings or the reconstruction of existing ones. Therefore, the degree of centralization of authority in the area of investment is very high.

[Question] But in Hungary an attempt was made to increase the share of enterprises' outlays. Perhaps in Hungary this did not succeed only to the degree envisaged in reform.

[Answer] It is possible that they still intend to do so, but nevertheless, in all of these kinds of undertakings there are certain limits. In the case of Hungary this may be one kind of limit, in the case of the GDR it may be another. Differences appear in national traditions, in established structures. In any case, I do not see sufficient justification to talk about two or three different models of economic reform, about the collision of these models, about disputes or certain contradictions in the approach of particular countries. I think that this must be approached calmly. It was said formerly that the Soviet Union and the GDR, for example, represent one model, and Hungary, Yugoslavia and China represent another model. But a couple of years have passed and today I would not apply such distinctions because common economic needs occur which force us to go into more or less the same directions.

[Question] The Soviet Union has its own experience in reforming the economy. I am referring to the year 1965...

[Answer] That experience is useful, but at the same time it is already history. The reform then was not sufficiently comprehensive, nor was it adequate and consistent, and often it was implemented only halfway. But it had a positive influence on development. The growth rate of the Soviet economy during the 1966-1970 5-year plan was more rapid than during previous periods, although not all of this could be ascribed to the changes being made in the economic mechanism. Some of the ideas developed then still retain their significance. But now our approach to these matters is more

comprehensive. The transformations being made are more decisive, and what is most important, we now are not separating economic solutions from sociopolitical ones, economic problems from social problems. We see everything as one large totality and note mutual relationships. We have even come to the realization that reform cannot be conducted without changing social consciousness and the consciousness of the management staffs.

[Question] It is said of Soviet economic reform that its basic principle is supposed to be the consolidation of central planning on the strategic level and the expansion of enterprise and association self-dependence. However, although the range of strategic decisions can be defined quite rigidly, the concept of enterprise self-dependence is very relative. What will this range be and on what, in your opinion, is this self-dependence supposed to be based?

[Answer] I don't know whether strategic functions can be defined so easily. It seems to me that here, too, there are many unanswered questions. The range of competence of the central organs and their role in managing the economy should be analyzed anew and the practice of replacing enterprises in the functions they perform should be stopped. All of these are rather complicated problems. The central authorities will have to indicate the limits of enterprise autonomy. In some countries these limits may be broader, in others somewhat narrower, depending on the concrete situation, on the state of balance. For example, in Poland we will have to repay our debts over a long period of time, and this means that a certain sum of money must be reserved for this purpose. Actually, a large sum, perhaps several billion dollars to service the debt and pay off the installments and interest. If we were to ensure full autonomy to enterprises in the use of their own foreign-exchange funds, the country would never be able to get out of debt. Thus, in this case, centralization is necessary. Such a problem does not occur in Czechoslovakia, let us say, for its indebtedness is low. And there, theoretically, there can be greater freedom in the use of foreign-exchange funds by the particular enterprises. So these limits in large measure depend on conditions. But the assertion that the concept of your economic reform is similar to the GDR concept cannot be based on the fact that your state must centralize foreign-currency funds.

[Question] Certainly not.

[Answer] Precisely. We should apply more elastic criteria in evaluating ongoing processes. Therefore, on what, specifically, should the self-dependence of enterprises in the Soviet Union be based? Well, it is our goal to make them self-financing organizations so that they can meet all of their own needs out of their own income, including the need for expanded reproduction. We must approach such a goal in stages.

[Question] That means that in the future they should be able to finance their own expansion and investments?

[Answer] Yes. That applies also to investments. Enterprises should unconditionally manage their own funds for simple reproduction, i.e., retain all of the depreciation. And for expanded reproduction they should obtain credits or accumulate their own funds out of profit for the development fund.

That is the general idea. This does not mean that the state will not allocate funds for centralized investments, let us say, connected with environmental protection or development of infrastructure. The central economic authority must manage specific funds, otherwise it will not be...

[Question] I think that the state will also build new production plants.

[Answer] Production plants too, but construction can vary: the state may do this through its own central organs and it can also empower enterprises to establish branches, for example, to build a new plant somewhere. Large, completely new plants, will be built. Initially this will be done by the investor, the ministry, i.e., the state, and later the plants will be turned over to those who will operate the new facility.

This still does not define the limits of the enterprises' autonomy and authority. We want to give them the right to enter foreign markets and to establish direct ties with partners. We want to expand their authority to supply themselves, under contractual agreements, with indispensable raw and other materials and to sell their own products. The enterprises will probably obtain greater authority to fix prices--contractual prices. Here, too, autonomy will be expanded. We will probably not do what was done in Poland, i.e., immediately grant them maximum authority.

[Question] That is only in theory.

[Answer] In theory, because conditions do not allow this. We will go forward in such a way as not to lose control over some processes.

[Question] Experience has shown that enterprise self-dependence does not depend as much on official authorization as it does on the conditions in which the enterprise operates. Economic mechanisms on the state-wide level, such as the system of establishing prices and the financial-crediting system, play an important role here. What ideas is the Soviet Union considering for the establishment of such mechanisms?

[Answer] Our economists are generally in agreement that if reform is to succeed, all of the economic conditions must be created to meet these conditions, on the state level. These include a reform of prices as well as the currency-credit and financing system, reform of the producer-goods supply system, i.e., the wholesale trade of means of production, and finally, the establishment of new conditions for the development of organizational structures. Because if reform is to function correctly, its structural model must be defined: What is to be included in the large scientific-production associations of an interbranch character, and what the small and medium enterprises are and what their mutual relationships should be. Those are some of the starting conditions without which economic self-financing cannot function.

As for price reform, that is a complicated question. I can only express some thoughts on this subject.

In the opinion of Soviet economists, a price should not just--if I may put it this way--fix the sum of the real costs in these or other enterprises. We want the price to be an active instrument in the measurement of the overall economic costs of production, taking into account supply and demand as well as the question of balance. There will be certain deviations here, but nevertheless a price should be the real criterion of efficiency. And this means that it will be necessary to drastically change the ratio of prices. It is possible that we will give greater consideration to world prices in establishing domestic prices. This is only a very general treatment of the problem. Price should also be an important factor in promoting technological progress; it should ensure benefits to both the producer and the user. New technology should be profitable to both parties. All of these factors should be taken into account. Because of this we face difficult tasks, for every price change, due to the complicated interbranch interdependency, has an impact on the entire economy. A change in wholesale prices also affects retail prices, produces social problems, etc.

As to the currency-credit system, reform is aimed at having our currency, the Soviet ruble, become an active instrument of management, so that what has happened in the past will not recur, i.e., that access to material is obtained and the money is not always there. Money is to be money. It is supposed to have coverage in material values and be an active instrument in management and division. That means that there must be accountability between the material resources of the national economy and the currency-credit funds. This is a complicated task and we will give thought to how it is to be solved. Here a great deal depends not on economics but on politics, on political decisions. I think that you know that in Poland, too, this is a complicated problem.

[Question] Our experience has shown that to what degree an enterprise can manage autonomously is influenced strongly by the availability of producer goods. As I understood, you are thinking in the Soviet Union about converting to wholesale trade in materials and means of production.

[Answer] Yes. There is such a concept, and there are even very detailed studies. Different areas of the economy will have somewhat different solutions. In the area of consumer goods and food, forms of market turnover, wholesale trade and others, will expand more widely, because small-scale cooperative enterprises may be included in the system of supplying goods to the population. It is possible that private--family, let us say--enterprises will also be included. Market mechanisms will function here too. They will play an important role in both supply as well as sales. Light industry and the food industry, in which the transition to use of contracts will be more rapid, is in favor of this, and supply and sales will be based on contracts between suppliers and the government. Contracts will be signed between the farm cooperatives and the procurement organizations, and between the farm cooperatives and the organizations supplying fertilizers, machines, etc. All of these forms of trade will be based on economic criteria and standards, and we will no longer divide resources, as has been the case until now, when it was important to receive a tractor, but it was not important how much this tractor cost. Because if one already has a tractor, the bank will always give a loan on it, and if someone is not able to pay off the loan, the bank amortizes it.

Insofar as specific branches of industry are concerned, solutions will vary. Naturally, as concerns fuels and raw materials, which are still in short supply, the system of rationing available stocks, on the basis of some kind of criteria, will be retained. Wholesale trade may be expanded in the producer goods area. The process of change will be gradual, in stages.

[Question] What role will the production enterprises and associations have in technological progress? What possibilities and means will they have in this field?

[Answer] That will depend on the type of enterprise. We now intend to create a new type of enterprise. These will be interbranch scientific-technical complexes which will have broad capabilities in expanding technological progress, and perhaps later duplicating a new technology, because in one organizational structure there will be science, experimental production and plants which will be capable of duplicating this new technology. Also, it is a rule that not only enterprises of one branch be combined, but of different branches. There is, for example, in the Ukraine, such an interbranch complex for welding technology, which is directed by the president of the Ukrainian Academy of Sciences, Academician Paton, where on the basis of interbranch cooperation very good results are being obtained. That is why, in order to adapt the welding technology, not only are good ideas necessary, but also electrodes, chemicals and many other branches of knowledge. It is the same with laser technology. Not only is knowledge needed, but also materials, without which the laser will not work. Others must participate in developing this work—chemists, machine builders, opticians, and others.

That is one way. But the main point that I want to emphasize is that we plan to greatly strengthen the experimental laboratories and departments in specific enterprises. Formerly the organization of science was based on this principle: There was a ministry, in connection with this ministry were many large and small branch institutes, and the enterprises had, at the most, small design offices. Now they will receive strong research and design departments. That is another way of development.

[Question] How funds to finance scientific and technical progress are divided is usually of decisive importance. Where will the funds for the interbranch complexes come from?

[Answer] Initially they will most likely be received from the state treasury, because during the first stage the enterprise must establish itself and show that it is able to survive. Later the enterprises should be able to pay their own way, just like other enterprises. They will work under contract. If someone wants to obtain new welding equipment, he orders it from the welding technology complex, signs a contract, and the person ordering pays. Very simple. The basis is economic self-financing. And the enterprises will have a development fund. If they have their own laboratory or design office, then naturally their operations are included in the cost of production of this enterprise. On the other hand, the production-application costs of new designs developed by them will be financed out of the development fund or through bank credits.

[Question] Professor, unfortunately the time that you have allotted for this interview has already elapsed. However, I cannot help but ask about your visit in Poland.

[Answer] Well, we--the delegation from the Institute for the Economics of the World Socialist System--are very happy that we were able to acquaint ourselves with the problems of the Polish economy and strengthen our scientific contacts with the Polish economists. Our institute concerns itself with the economy of the individual socialist countries and has its representatives in these countries. In Poland these are Comrades Klepackij and Zachmatow. Therefore, this was not our first routine visit. We have conducted interesting and useful talks with the management of the Planning Commission, the management of the Central Committee Economics Department, with the minister of finances, and the president of the Polish National Bank. We were able to visit many important institutes and centers, we were at the Polish Economics Society, and even in enterprises. All of this enabled us to form a rather complete picture of the directions in which the Polish economy is developing and what kind of problems the Polish economists are solving. On the other hand, we have been able to come to an understanding on the subject of further contacts between the economists of both countries and on some joint work. This is especially important because your experience, in some measure, also paves the way for us. We undertake many of our ventures somewhat later and we should take into consideration the experience of the economists in Poland, as well as those of economists in other countries.

[Question] Did you also have an opportunity to become familiar with the difficulties in the implementation of Polish economic reform?

[Answer] These difficulties are generally known. The persons we talked to spoke of them. They pertain to solving the price problem, overcoming inflationary tendencies, and the negative effects on Polish society. There are also difficulties in regulating wages and increasing their incentive role, including in such branches as light industry and food. You have not only state enterprises but you also have cooperative and private enterprises, and earnings in them are higher. Incentives, therefore, should also be strong in state industry. Quality and assortment of production are also very current problems for the Polish economy. And finally, the difficulties in transferring to new technologies and the lack of suitable materials necessary to conduct restructuring at the necessary rate of speed. I believe, therefore, that we have been able to get a picture of the problems on which Polish economists are working. Perhaps the picture is not yet complete, but certainly we have increased our knowledge about these problems.

And so we can say that we have learned a great deal, both about the strong sides of the Polish economy and about its difficulties.

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CEMA ECONOMIC EDITORS DISCUSS BLOC INTEGRATION PROBLEMS

Warsaw ZYCIE GOSPODARCZE in Polish No 26, 29 Jun 86 p 9

[Article by Eugeniusz Mozejko: "Technological Progress in CEMA"]

[Text] The recent annual seminar of editors-in-chief of economic journals published in the CEMA countries, which was held this time in Moscow on 10-11 June, was devoted to scientific and technical cooperation. The organizers of the meeting--the EKONOMICHESKAYA GAZETA weekly--furnished the participants a wealth of firsthand material from high CEMA officials, in whose offices the seminar was conducted. The following persons took part: Vyacheslav V. Sychov, CEMA secretary; Yuriy S. Shiryayev, director of the International Institute for Economic Problems of the World Socialist System (IIEPWSS) and corresponding member of the USSR Academy of Sciences; Ladislav Shupka, CEMA assistant secretary; and Andras Zsolnai, assistant manager of the general department. In addition, just as each year, representatives of the CEMA periodicals participated in the work of the seminar.

The second half of the seminar consisted of speeches made by the editors-in-chief, which, together with the distributed papers, formed the basis for a discussion. The discussion concentrated on problems of scientific and technical progress in the CEMA and its individual countries, and especially on the financial-organization systems established in them.

Information on changes occurring in the economic mechanism of the USSR, as described by the assistant director of the CPSU CC department, Oleg K. Rybakov, and the editor-in-chief of EKONOMICHESKAYA GAZETA, Boris G. Vladimirov, aroused great interest.

The Search for Effective Mechanisms

In describing the comprehensive program of scientific and technical cooperation among CEMA countries, accepted in December 1985, CEMA secretary Vyacheslav Sychov, said that its main goal is to accelerate economic development in the member countries by intensifying the processes of manufacture; this should be done primarily by increasing the growth rate of labor productivity and drastically reducing the consumption of fuels, energy and raw materials. Implementation of the program should expand production so as to meet population requirements. Sychov reported that a multilateral

agreement on scientific and technical cooperation, covering 86 (of 93) problems contained in the comprehensive program, has already been signed. It is expected that more of these kinds of agreements will be signed in the near future, although probably it will not be possible to finalize some of them within the scheduled timeframe, i.e., by the end of June. Because of this, Sychov also called upon the representatives of the press to mobilize efforts in their countries so as to rapidly complete the initial stage of this work.

Sychov devoted the important parts of his speech to the changes occurring in the mechanisms and style of work of the CEMA organs and the forms of cooperation between member countries. He said that in the coordination of plans, particular emphasis is being placed now on the coordination of investment policy. Greater importance is being attached to the development of direct contacts between enterprises. The problems connected with this were discussed at the May meeting of the CEMA executive committee, which is now waiting for proposals and suggestions from member countries on the creation of the necessary conditions. Lively discussions on the subject of improving the efficiency of the work of CEMA organs are now taking place in the working groups organized for this purpose in the executive committee.

The CEMA secretary also spoke of the council's cooperation with third-world countries, pointing to the steady expansion of the group of rapidly developing countries who maintain multilateral contacts with the socialist community. It is anticipated that agreements will be signed shortly with Angola and Ethiopia.

Questions and discussions followed the CEMA Secretary's speech, at which time those attending the seminar could bring up all of the problems of interest to them. An especially lively discussion revolved around the possibility of direct cooperation between enterprises. Some, such as Rudolf Kostka from HOSPODARSKE NOVINY, expressed doubts that such cooperation is possible when enterprises in different countries vary in status and range of authority. V. Sychov agreed that it truly would be difficult to talk about direct cooperation between enterprises which do not have the right to maintain relations with foreign partners, but complete standardization of enterprise status is not absolutely essential. The CEMA organs generalize the experience gathered from enterprises during the course of their direct cooperation and try to adapt suitable mechanisms to its needs. Generally, however, it is not possible to really change the mechanisms of cooperation in CEMA without changing the internal mechanisms of the national economies.

The director of IIEPWSS, Prof Yuriy S. Shirayev, expanded on this subject. He said that the enormous and growing volume of exchange between member countries can no longer be managed centrally. A three-level, at least, mechanism of cooperation must be created: macrostrategic, branch and enterprise level. A means of communication between the macro level and the enterprises is also needed. This is still an unsolved problem.

Professor Shirayev also called attention to the relationship between the international economic mechanisms of the member countries and the potential for improving the CEMA mechanisms. The differences in the binding standardization regulations which control participation in socialist

integration constitute a serious obstacle. In his opinion, there should be an attempt to develop rules of cooperation in the CEMA which would be binding on all its members.

CEMA, said the IIEPWSS director, should be an intermediary in establishing direct contacts between enterprises. It should be a bank of useful information. The internal structure of the CEMA organs should also be improved, creating smaller committees to solve concrete problems. Enterprise directors should also take part in the work. IIEPWSS arranged a meeting of directors of light-industry enterprises which brought concrete results in the form of new plans for cooperation, including plans for appointing four to five joint organizations.

At the request of the editor-in-chief of ZYCIE GOSPODARCZE, academician Shiryayev presented his views (noting that he was expressing his personal opinion as a scholar) on the role of prices and currency-exchange rates. He agreed that the problem of prices without a doubt should be solved. Prices should not duplicate the prices of basic articles. They should take into account world prices, production costs and consumers' handicap. The matter of currency-exchange rates must also be solved and a mechanism to correct them automatically must be devised.

In Professor Shiryayev's opinion, however, too much importance is being attached to putting multilateral settlements of accounts into place within the CEMA framework, because as studies show, in the EEC, for example, this category of accounts pertains to only eight percent of trade turnovers. In practice, the Soviet Union fulfills the role of the turnovers-balancing factor. More attention should be given to extending the exchange-balancing period to 2 to 3 years. The role of the CEMA banks, unquestionably, must grow and the settlement-of-accounts system should be simplified. For example, transferable-ruble checks can already be instituted. But the banks must be given help, because it is difficult to expect them to grow when the basic "capital" of the International Bank for Economic Cooperation are debts, said the professor jokingly in ending this part of the discussion.

The results of economic-plan coordination for the current 5-year plan and the changes taking place in this area were described by Andras Zsolnai. In replying to questions raised on these matters, he reported that the Permanent Foreign Trade Commission is working on improving the price system. The rule for setting prices on the basis of a 5-year average should be applied to all types of deliveries, and also in settling of accounts on joint investments (where up to now it has not been applied). Work is also being done on ideas to improve the currency system, in an attempt to ensure correlation between national and CEMA accounting. Zsolnai underscored the important role of the International Investment Bank in financing joint investments while calling attention to the importance of ensuring that there are sufficient materials to cover the funds allocated for this purpose.

In talking about the coordination of economic plans, Zsolnai noted that the coordinating work was based this time on forecasts extending to the year 2000, and sometimes even further into the future. In these forecasts, an attempt was made to anticipate structural changes in the world economy. Consideration

was also given to the fact that the schematic for the division of labor in CEMA, drawn up in the preceding years, is no longer applicable. Therefore, some necessary changes have been made in the plans for the current 5-year period. It is envisaged that Soviet deliveries of fuels and raw materials will remain the same as in 1985. In return, other member countries will supply the USSR with machines and equipment conforming to its needs and also with a certain amount of food.

The plan-coordinating work has taken on a permanent cast. A list of problems which still remain to be solved in this 5-year period was drawn up. All of them pertain to implementation of the comprehensive program of joint scientific and technical cooperation, production specialization, and coproduction. Some large cooperation projects must still be wound up. Long-range coproduction and specialization programs are being prepared. Zsolnai spoke critically of the plan-coordination work, saying that more could have been done in this area.

Criticisms and Proposals

Nor was there a shortage of criticism in the speeches made by the editors-in-chief who spoke about the mechanisms of technological progress in both the CEMA and the individual countries. The discussion revealed that the CEMA countries--although some of them are allocating large amounts of money to finance research, development and applications work--have not yet developed effective systems in this area. For example, in Hungary, expenditures for science and technology absorb 2.5-3 percent of the national income, but the results obtained cannot yet, in the opinion of G. Vargo, editor-in-chief of the weekly FIGYELO, be called satisfactory. And this is despite the rather well-developed system of state assistance for enterprises conducting scientific and technical progress programs. They enjoy the advantages of tax relief, tariff-exemptions in the import of necessary equipment, credits from special banks, and also direct subsidies. Engineering enterprises which apply the results of technological achievements to production, maintaining themselves out of shares of the profits, have become an important element in technological progress in Hungary. From the standpoint of the need to accelerate scientific and technical progress, it would be desirable to make the system of commodity turnovers in CEMA more flexible, because agreeing on deliveries for 5-year periods makes trade more stable but at the same time it makes for a very rigid structure. This is felt particularly by those enterprises which operate in rapidly renewing branches of production, such as electronics.

Karl-Heinz Hilberst, editor-in-chief of OEKONOMIE publications, emphasized the importance of direct ties between scientific-research institutes, including higher educational institutions, and the combines, and described a system for giving priority to new production. But the most important are the staffs, he said, both in science and technology and in industry. Rudolf Kostka from HOSPODARSKE NOVINY proposed that the demand for specific groups of products be studied throughout the entire CEMA, pointing out (on the basis of information in his own editorial offices) that many producers in Czechoslovakia do not know the intentions of the producers of these same products from other countries. He expressed the belief that the editors of economic journals

could also beneficially cooperate in studying various problems of importance for the further development of cooperation in CEMA. For example, they could arrange a poll on the subject of direct contacts between enterprises.

The USSR: Deep Reform

Undoubtedly the subject of economic reform in the USSR aroused the most interest. As Oleg Rybakov assured, it is in full swing and each week brings new important decisions in this area. Reference is to deep reconstruction of economic mechanisms as well as in economic thought on all levels. Similar strivings in other countries create a wide field for an exchange of experience. This applies internationally also, although reference is not to mechanical copying.

In the Soviet GOSPLAN, reported Rybakov, a special section has been formed to analyze the experience of socialist countries in the field of economic planning and management. The CEMA is also going gradually to this new model of work. The search for new solutions is directed at finding a way to stimulate initiative at the executive level because practice has shown that good documents, prepared at the central level, do not in the least guarantee that the tasks outlined in them will be accomplished. It is obvious that a uniform economic mechanism will not be established in all of the member countries, but unquestionably the accepted solutions must be more alike. For example, direct cooperation between enterprises must be facilitated, and the USSR is working on just such a solution. We must also, continued Rybakov, facilitate the establishment of joint enterprises and joint entrance on third-world-country markets.

Replying to questions on the USSR's new economic mechanism, Rybakov said that a government commission, which includes distinguished scholars, is working on it. This does not mean that we should wait until a general concept in the form of one document is developed. Reform, he repeated, is already under way. It is based on uniform, general principles and branch peculiarities.

The editor-in-chief of EKONOMICHESKAYA GAZETA, Boris Vladimirov, also emphasized that the changes being made in the USSR indicate a bold reform of economic mechanisms combined with the instituting of full economic accountability. This process is accompanied by an active cadre policy and the extension of socialist democracy, ensuring those who work a real management role.

The reform measures being undertaken in the USSR are closely tied to the concrete tasks of long-range economic strategy: acceleration of growth rate to at least 5 percent annually in the last 5-year period of this century and transformation of the economy's structure. The purpose of this transformation is to establish a harmonious structure of production with a larger participation of the newer branches. These plans can be realized through intensification, as demonstrated by at least a 2.5-fold growth in labor productivity and a 70-80 percent reduction in unit costs over a 5-year period. As revealed in materials published after recent meetings of the CPSU CC and the Supreme Council of the USSR, the assumptions of the economic plan for 1986-1990 are already in line with these long-range goals.

Vladimirov said that the new, still-experimental principles of management were applied in an agribusiness complex and in light industry; a comprehensive system will now have to be created. This envisages a reconstruction of the central level of the economy. In effect, a centralization of decisionmaking should take place, with elimination of the scattered ministerial offices, because the now existing many subsector ministries are no longer representing the interests of society as a whole. The primary function of the subsector ministries will be to control technological progress and investment activity financed by the state. Management functions will be reduced. The number of centrally established plan indexes designated for enterprises will be drastically reduced and also a complete change will be made in the substance of the planning. It will be based on a system of contractual ties: horizontal, between a supplier and a buyer, and vertical, between organizations at the lower and higher level.

Self-financing of enterprises and economic organizations will become a universally binding principle. At the same time, an enterprise will conduct an autonomous employment policy. The sphere of application of contractual prices will be expanded. Piece-work will play a larger part in the wage system.

According to the editor-in-chief of EKONOMICHESKAYA GAZETA, direct ties between enterprises should become the basis for implementing a comprehensive program of scientific and technological progress in CEMA countries. This means that enterprises will have to be given the necessary authority. Their position will have to be raised and they will have to be supplied additional economic mechanisms. It would also be well to establish enterprises to apply scientific and technical achievements, operating on a self-financing system.

The participants of the seminar were able to take a closer look at the problems of the development of the Soviet economy and the reconstruction of its economic mechanism during the 2-day meeting in Leningrad—one of the most important centers of science and modern industry. The program also included a meeting with the second secretary of the Leningrad district, Anatoliy M. Fatyeyev, a meeting with the management of the Institute of Socioeconomic Problems, with the management and representatives of the workforce of the Printing Machines Association--Lenpoligraf Mash, and visits to these plants.

The Leningrad district has been conducting an intensification program since 1984. Last year an all-union seminar was organized here on this subject. However, as Fatyeyev said in a conversation with journalists, a basic turnaround has not yet been made. That is why another review of the possibilities of making better use of resources is being made, so that without changing plans the major portion of the outlays can be allocated to renewing the manufacturing apparatus.

All of the participants agreed that this year's seminar was a forum for an extremely fruitful exchange of information and opinions, providing inspiration for further consideration of technological progress, a subject so crucial now to the entire socialist community. Already during the discussion in Moscow, the theme of the next meeting was established: The position and role of a socialist enterprise. The meeting in 1987 will be arranged by the Romanian REVISTA ECONOMICA.

SAFETY OF NUCLEAR POWER PLANTS STRESSED

Prague RUDE PRAVO in Czech 26 Jun 86 p 4

[Article by Eng Vaclav Pantucek, Federal Ministry of Metallurgy and Heavy Engineering: "The Main Requirement Is Safety--How Czechoslovak Nuclear Engineering Will Continue To Develop"]

[Text] The program declaration of the government, presented at the joint session in the People's Chamber and in the Chamber of Nations, stated that the structural shifts in the fuel-energy complex will continue to be solved through the development of nuclear energy. This sets the significant goals for our nuclear engineering industry, which has already taken on an important position among the traditional sectors. It follows on the heels of classical power engineering and assures the decisive technological deliveries of facilities for the expansion of nuclear power plants in Czechoslovakia and, on the basis of agreements among member states of CEMA, it shares in making deliveries for the expansion of nuclear energy blocks in CEMA member countries.

During the period of the 7th Five-Year Plan specialized facilities for two blocks of the nuclear power plant at Jaslovské Bohunice were delivered, as were facilities for two blocks for the Dukovany Nuclear Power Plant, for four blocks at the Paks Nuclear Power Plant in Hungary and for two blocks of the Nord Nuclear Power Plant in the GDR. Production of specialized fittings for domestic use and for exports to the USSR and to other countries was developed.

For the 8th Five-Year Plan it is planned to increase production. The 17th Congress of the CPCZ stressed the position of nuclear energy by setting the goal of increasing the installed capacity of Czechoslovak nuclear power plants to at least 10,000 MW by the year 2000. The production of electric energy from nuclear power plants in Czechoslovakia amounted to about 12 billion kwh in 1985 and represented roughly 15 percent of the total production of electric energy. By 1990 it will increase to about 20 percent and by the year 2000 is expected to attain roughly 52 percent.

With respect to development of domestic nuclear power plants, by 1990 installations for the remaining two 440-MW blocks for the Dukovany Nuclear Power Plant and for two 440-MW blocks for the Mochovce Nuclear Power Plant are expected to be produced, installed, and handed over. Deliveries of reactors and turbogenerators for two blocks in the GDR and deliveries of reactors and steam

generators, including main circulation pipelines and shutoff valves of the primary circuit for two blocks in the Polish People's Republic will continue.

Construction of four blocks at the nuclear power plant at Temelin, with 1,000-MW capacity will be developed and deliveries of reactors, piping, and special fittings for export to the Bulgarian People's Republic are being prepared.

During the 9th Five-Year Plan, construction of three 1,000-MW blocks at Temelin will be completed, as will that of the remaining two blocks at Mochovce. To achieve the tasks set by the 17th Congress of the CPCZ, will be necessary to initiate deliveries of installations for an additional two 1,000-MW blocks so that, by the year 2000, the Czechoslovak system would have in operation twelve 440-MW blocks and at least five 1,000-MW blocks.

At the same time, the Federal Ministry of Fuels and Energy is preparing a program to increase the share of nuclear energy in solving the centralized provision of heat for industrial and community areas, primarily by utilizing steam generated by present and newly built nuclear power plants. This will require that additional new facilities be designed, produced, and delivered.

Third Priority Direction

Similar programs to speed up development of nuclear energy are already worked out in the overwhelming majority of CEMA member nations. That is why the development of nuclear energy through the year 2000 was discussed at the Extraordinary 41st Session of CEMA and was included in the Comprehensive Program of Scientific-Technical Progress of CEMA Member States Through the Year 2000 as a third priority direction. It contains 17 principal tasks and Soviet organizations were entrusted with coordinating them.

Work is in progress on preparations of specific agreements in which the main principle will be the interconnection of research, development, and realization in such a way which would permit the connection of the solving capacities of the countries to speed up the entire cycle of science--research--utilization.

The multilateral participation of organizations of the individual member countries presupposes joint solutions but also the utilization of the benefits of the work performed by individually participating countries. The principle of contractual obligation will be applied, including economic consequences and the consistent verification of capabilities on the part of participants in these agreements to fulfill future obligations, including realization of resulting material deliveries within required deadlines and of the required quality.

A Generation of Workers and Technicians

We are convinced that the Czechoslovak nuclear engineering industry has the prerequisites for fulfilling the above conditions. Within the jurisdiction of the Ministry of Metallurgy and Heavy Engineering, the last 10 years saw the

establishment of decisive developmental and production capacities devoted to the production of such demanding components as pressurized water reactors, steam generators, special pipelines, fittings, and volume compensators, steam turbines designed for sizable unregulated steam takeoffs for the thermal heat industry. New metallurgical materials and semifinished products were assured which fulfill demanding technical conditions which exist in the nuclear energy industry. However, the main prerequisite we have is a highly educated generation of workers, technicians and specialists in various professions, thanks to long-term cooperation with the Soviet Union, cooperation which has already proven that it can produce concrete results.

In the concern enterprises of the economic production units at Skoda, Vitkovice, Sigma deliveries of installations for nuclear power plants having VVER 440-MW blocks are fully in the production program and preparations are being made to initiate deliveries of facilities for pressurized water blocks having 1,000 MW of capacity. In the concern enterprises of the economic production unit at Chepos and at the Czechoslovak Air-Technical Enterprises additional, thus far nonspecialized, installations are developed and ready for production. We will strive to have appropriate agreements within the framework of the comprehensive program aimed in the third priority direction include the work from these facilities in future nuclear power plants.

We Have Good Prerequisites

We also have prerequisites for the full joining [of Czechoslovak facilities] into the program of preparations pertaining to the thermal heat transmission in CEMA member countries, particularly involving the nuclear thermal power plants and heating plants and heat exchange stations in the concern enterprises of the economic production units of Skoda, Vitkovice, Chepos, and the CKD Prague, as well as others that have a rich tradition in the energy engineering industry.

The Czechoslovak engineering industry and the electrotechnical industry also sees great opportunities to join in the program for guaranteeing repairs of nuclear power plants and designed to establish maintenance organizations, through the medium of various installations; for example, facilities for diagnosing the status of metals, for solving problems with respect to repairs connected with the obsolescence of reactor materials, for equipping repair services with remote-controlled manipulators and special equipment for work in radiation environments.

The above review of possible participation on the part of Czechoslovak enterprise organizations in solving the 17 principal tasks of the third priority direction cannot lead to the exhaustion of problems pertaining to all partial tasks. Our organizations will continue to share, for example, in solving tasks pertaining to the industrialization of the construction of nuclear power plants, in tasks having to do with increasing the economy of operations pertaining to nuclear power plants, in the more efficient utilization of nuclear fuels, in increasing the ability to regulate blocks, in the elimination and storage of radioactive wastes. Although the carriers and coordinators of these tasks might be other areas and organizations in Czechoslovakia, the principle of the optimum procedure must be applied here from the standpoint of capacities will be most rapidly utilizable in the realization of results in practice.

NUCLEAR PLANT EXPANSION TO REPLACE COAL CONSUMPTION

Prague RUDE PRAVO in Czech 3 Jul 86 p 4

[Article by Miloslav Vltavsky: "Nuclear Energy Replaces Coal--Expansion of New Power Plants Is Continuing Smoothly"]

[Text] Thirteen days were left before the end of March when the second block of the V-2 Nuclear Power Plant at Jaslovske Bohunice was placed in permanent operation. As of that moment, the above-mentioned Slovak energy center has been providing the planned output of 1,760 MW. If we add to this the more than 1 year of operation of the first block at Dukovany, then the Czechoslovak energy system is already providing some 16 percent of the electric energy production based on nuclear fuels.

Operational experiences show that this is universally advantageous. Relatively high investments are balanced by operational efficiency and by the removal of such harmful agents in the atmosphere as are sulfur dioxide or fly ash. It was precisely these ecologically advantageous results which, together with a decline in the supply of classical fuels, led to a rapid development of nuclear energy throughout the world.

Specialists state that the number of nuclear reactors on a world scale is growing virtually geometrically. For example, in Finland, the amount of electric energy produced by nuclear power plants has exceeded 40 percent; in Sweden, and particularly in Belgium and France, it has a completely dominant role.

Substantial Increment

The main directions of economic and social development, approved by the 17th Congress of the CPCZ, call for such a quantity of electric energy to be produced by nuclear power plants at the end of the 8th Five-Year Plan as to amount to approximately 30 percent of total electric energy production. In essence, this means that four blocks will be in operation at Dukovany and the first two at Mochovce. Our largest energy investment, at Temelin in Southern Bohemia, will be at an advanced stage of construction; Temelin will not have a decisive influence on the balance of electric energy until the 9th Five-Year Plan.

The intentions which are designed to substantially alter the structure of energy are being fulfilled gradually and responsibly. The second production block at Dukovany has been placed in trial operation and the third block is to be readied in December of this year and the fourth block in July of next year.

To facilitate this planned fulfillment, a construction pace was worked out which is based on combined socialist pledges concluded by the construction workers and pertaining to a high quality of execution of all necessary work. Despite the fact that the construction project is already at a very advanced stage, work and deliveries valued at more than Kcs 2.6 billion still remain to be assured for this year.

Of the set of seven construction projects at Mochovce, for the time being the building site has been taken care of, as has the external distribution structure, the worker quarters at Levice and the highways have been reconstructed to the necessary extent. With respect to the first and second blocks, the method of construction has been influenced by the level of planning documentation.

Equality in First Place

The requirements of construction have forced the decision to bring on additional workers. It is desirable to strengthen construction capacity by the addition of about 1,000 individuals. At nuclear power plants, the quality of work remains the fundamental question which decides on the adequacy of the electric power plant and its reliability. Consequently, it is not possible to permit any hasty work. That which has been delivered thus far at Jaslovske Bohunice and at Dukovany has always been at the required level. This has a substantial influence on the reliability of all production installations, on their output, as well as on their safety of operation.

The progress of construction at the Temelin Nuclear Power Plant is satisfactory. During the course of the 7th Five-Year Plan work valued at approximately Kcs 600 million has been delivered in areas of a social character primarily. Apart from housing facilities, a catering center has been completed and has a capacity to produce 2,200 meals. Other projects, which will later serve a substantially increased number of workers, are under construction.

Already this year the total volume of the primarily construction type work will exceed Kcs 700 million. An increase in the volume indicates that work is beginning on the foundation plate for the production blocks. Appropriate government resolutions call for completion of this work by the end of December 1987, as a prerequisite for trial operation of the first block of 1,000 MW in November 1992.

The outlook for our energy industry considers that, by the year 2000, all four Temelin blocks plus two 1,000-MW blocks at a new locality will be producing electric energy. At that time, nuclear energy will take over the already diminishing function of coal. Obviously, also, as a source for heating of apartments. For these reasons, it is clear why the 17th Congress of the CPCZ pointed out the need for establishing nuclear energy as a fundamental prerequisite having to do with the needs of society, which is attempting to speed up its economic and social development.

PREVIOUS FIVE-YEAR PLAN ANALYZED, DEGREE OF CHANGE ASSESSED

West Berlin FS ANALYSEN in German No 4, 1985 (signed to press Dec 1985) Part I
pp 9-38

[Report by Karl C. Thalheim: "Das Wirtschaftssystem der DDR in der Fuenfjahrplanperiode 1981-1985: Kontinuitaet oder Wandel?" [The Economic System of the GDR in the Five-Year Plan Period 1981-1985: Continuity or Change]

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In keeping with the general theme of this year's symposium, this first report will be devoted to the economic system of the GDR in the Five-Year Plan Period 1981-1985, which is now drawing to a close. Our main focus shall be on the question of to what extent change and to what extent continuity can be recognized in the system.

The economic system of the GDR and its development have also played an important role in the symposia of previous years. It will therefore not be possible to completely avoid occasional repetitions with regard to earlier reports and discussions; however, I will do my best to hold these to a minimum.

I shall not deal with the agricultural system, since Mr. Karl Hohmann will discuss it in his report this afternoon; however, there are essential differences as compared with a non-agricultural economy, which would require too much time to deal with in my report. Because of the reports by Mr. Erdmann and Mrs. Haendcke-Hoppe, I will also confine myself to very brief

remarks with regard to the special internal problems of the combines as well as with regard to reform in the area of foreign economic relations.

1. Priority Position of Intensive Growth

The basis for my analysis is the Five-Year Plan 1981-1985. The formal decision concerning the plan was made at the 10th Party Congress of the SED in April 1981; it did not become law until 3 December 1981, i.e., almost a year after the beginning of the plan period. But the elements that would essentially determine it were already clearly recognizable because of the many previous discussions and clarifications: it would stand under the dominant viewpoint of qualitative growth factors, of intensive growth--or, as it is called in the official terminology of the GDR, "intensive expanded reproduction."

This was, to be sure, not something completely new for the GDR. When Ulbricht announced the "New Economic System of Planning and Management of the National Economy" in 1963, he described as his essential objectives (here I am quoting his exact words): "Increasing labor productivity with the help of scientific-technological progress, lowering of costs and improving the quality of production, strengthening the accumulation capability of the national economy by means of the rational utilization of material and financial resources, enforcement of the strictest austerity in every area of society." (Footnote 1) (In Karl C. Thalheim, "Die Wirtschaft der Sowjetzone in Krise und Umbau" [The Economy of the Soviet Union in Crisis and Reconstruction], Berlin, 1964, p 152)

Shortly before and after the fall of Ulbricht, the necessity of the transition from extensive to intensive growth was greatly stressed at the 14th meeting of the ZK [Central Committee] of the SED in December 1970, and above all at the 8th Party Congress in June 1971. Since then, this has become a leitmotif in the economic policy of the SED.

In his keynote address at the 10th Party Congress of the SED in April 1981, Honecker summarized the "Principles of the Economic Strategy of the 1980's" in 10 points of emphasis. (Footnote 2) (NEUES DEUTSCHLAND 12 April 1981 pp 6-7) If one compares these with the goals described in 1963 by Ulbricht and in 1970 by Honecker and others at the 8th Party Congress, one finds general agreement, even though Ulbricht did not yet use the now constantly applied formulas of intensification, of "socialist rationalization," of "the unity of economic and social policy." Honecker placed especially strong emphasis on the importance of scientific-technological progress, increasing labor productivity and on the economic use of materials. But the goals that he proclaimed were basically the same--proof that the challenges raised in 1963 still had not been met eighteen years later.

Honecker said little at the Party Congress concerning the ways and means of fulfilling the tasks that had been established. He emphasized the continuity of the economic policy of the SED as a mark of the "creation of developed socialism" and of "the unity of economic and social policy." The policy of the main task formulated at the 8th Party Congress was to be continued. "In view of the changed conditions, this especially requires a new quality of

labor." For this reason, the socialist planned economy will continue to be perfected, the combines as a whole would be further developed. The word "reform" was not used by him; there was especially no talk of any change in the system. I quote: "As is implied in the term democratic centralism, we combine the central management and planning of the national economy ever more effectively with the independent responsibility of the combines, enterprises and all establishments of the national economy with the initiative and activity of the working population." (Footnote 3) (Ibid., p 8) This is a key concept in the present economic policy of the SED.

Much more was said in the directive of the 10th Party Congress on the new five-year plan concerning "the tasks for the continued perfecting of management and planning" than in the speech of Honecker. A large portion of this directive was devoted to this. Management, planning, balancing and economic stimulation should accordingly be directed more effectively at encouraging a stable high rate of economic growth, at the comprehensive utilization of scientific-technological progress, as well as at a far-reaching increase in the quality and effectiveness of labor and planning directed in an enhanced way at qualitative growth factors. In this way, the developed socialist society should continue to be formed and basic preconditions for the gradual transition to communism were to be created.

The Law on the Five-Year Plan 1981-1985 (Footnote 4) ("Legal Gazette of the GDR 1981" L No 35, pp 405-416) contained, unlike the directive, almost no data concerning planned developments in the economic system during the plan period. It was significant, however, that much attention and great stress was placed on the qualitative tasks; this plan was determined by the goal of essentially strengthening all aspects of intensive growth and increasing the effectiveness of the national economy; as a decisive condition, the close link between the "advantages of socialism and the achievements of the scientific-technological revolution" was set forth. Named as decisive tasks were: "socialist rationalization"; increasing labor productivity; high level of refining of energy sources, raw materials and basic materials "through all stages of production"; high quality level in production; lowering costs; increased capital productivity (in the language of the GDR: "greater effectiveness of the fund of fixed assets"); increased efficiency of investments. The consistent consolidation of intensification is described as "an economic-strategic task of the highest priority." However, there is almost nothing to be found in the law concerning the consequences resulting from this setting of tasks for the system of planning, management and stimulation.

2. The Tasks of the Combines

Both the Party Congress and the law on the five-year plan, therefore, make it clear that the SED leadership intended no changes in the system for the time period 1981-1985, but rather only improvements in the existing system. The combines were to play a very essential role in this; at the time when the five-year plan for centrally-managed industry and construction was being worked out, they were already fully realized and in 1979 had received their legal basis in the "regulation concerning the nationally-owned combines, combine enterprises and nationally-owned enterprises." The directive for the five-year plan assigned important tasks to the general managers of the

combines. Through their managerial and planning activities, "the primary factors in intensification for the continued growth of performance and effectiveness are to be fully utilized," with "the well-tested methods of socialist industrial management being used in a comprehensive way."

However, the directive also made it possible to recognize the set of regulatory problems which resulted from the subordination of the combines to the superior instances, especially the State Planning Commission and the specialized ministries. It contained this statement: by means of the modus operandi of the central state organs, it should be made possible that the general managers could meet the tasks of the development of the combines with a high degree of independent responsibility on the basis of the plan. On the other hand, central state planning is to be further strengthened, although with the reservation that it be concentrated "on the complete opening up of the qualitative factors for growth and on the decisive national economic processes." But where does the borderline lie? We still must deal with this central question.

3. Guenter Mittag's Speech on September 29, 1983--Substitute for an Overall Economic Policy Design?

With the introduction of the "new economic system of planning and management of the national economy," a systematic design follows upon the general announcements and objectives. This was the "guideline for the new economic system of planning and management of the national economy," which had been published at that time as a resolution of the Council of Ministers on 11 July 1963; among other things it contained an extensive section on "the position of the economic lever of the closed system in the planning and management of the national economy"; this "closed system" was, after all, to take the place of the "small-scale administering" which had been denounced by Ulbricht.

There is no similar concept which received widespread public recognition for the economic policy in the five-year plan period 1981-1985. The 10 focal points announced by Honecker at the 10th Party Congress of the SED in April 1981 could be regarded as a summary of such a concept. An analysis of these points, however, reveals that they contain primarily goal formulations, but only very limited data concerning the ways and instruments by means of which these goals are to be achieved.

The comprehensive speech given by Guenther Mittag, leading economic policy maker of the SED, on 29 September 1983 at a large economics conference in the GDR was to some extent a substitute for the missing overall design; it was published initially in a shortened version in the November 1983 issue of EINHEIT under the title "Economic Strategy of the Party--A Clear Design for Continued Growth," then in a full-length version in the January 1984 issue of the journal WIRTSCHAFTSWISSENSCHAFT and as a separate booklet. The very title given to Mittag's speech when it was published indicates that the economic policy of the SED continues to be oriented toward growth; the observations that we made in 1981 at our 7th Symposium under the title "Economic Growth of The GDR System in Theory and Practice" therefore need no correction. Kurt Erdmann's report on "First Signs of Reform in the GDR Economy" at our 9th Symposium in November 1983--published in FS-ANALYSEN 7, 1983--deals with

Mittag's remarks. I would like to avoid repetition, but nonetheless regard as important the question of whether and to what extent Mittag's report can be regarded as an overall economic policy design.

Undoubtedly, it is much more profound than the 10 major focuses of Honecker. To the extent that it involves the tasks and the manner of functioning of the combines, I do not wish to anticipate the coming report by Mr. Erdmann. Mittag stresses that the economic policy of the SED largely decides on the implementation of the total program for the continued formation of developed socialist society in the GDR. He describes three tasks as major points for comprehensive socialist rationalization:

1. the "organic link between the achievements of the scientific-technological revolution and the advantages of socialism"
2. the "continued socialization process" (whereby he particularly meant the development and stabilization of the combines)
3. the continued consolidation of socialist economic integration, especially with the USSR.

Mittag's formulation of the first of these three tasks, the "organic link between the achievements of the scientific-technological revolution and the advantages of socialism," is, to be sure, just as pretentious as it is unclear in terms of contents. It becomes somewhat clearer when Mittag at a later point speaks of "qualitatively new steps in the direction of the transition to comprehensive intensification." With this he means, for example, that the specific consumption of energy and materials must decrease faster than production increases, or that the growth of labor productivity must be greater than that of production and must increase more quickly than the value of fixed assets (i.e. of real capital per working day). Mittag also sees a qualitatively new epoch in socialist planned economy in the fact that, as he formulates it, economic development in industry and construction was being carried out almost completely on the basis of the combines.

However, Mittag's comments also clearly reject any sweeping changes in the system of planning and management. Management, planning and economic accountancy must, to be sure, "be further perfected," but the socialist planned economy is "inviolable as far as we are concerned." It is also revealing that Mittag does not devote one single word to experimental reforms in other CEMA countries--especially to the "new economic mechanism" in Hungary. This is evidently a clear rejection of the Hungarian methods, which, to be sure, do not dispense with the socialist planned economy, but which clearly impart to it a different character--in SED terminology, one would say "a new quality."

With regard to the differences between the New Economic System of 1963 and the present economic policy of the SED, it seems important to me to pay some attention to the differing roles of profit. According to the statement by Ulbricht in June 1963, the central position is to be given to profit in the "closed system of economic levers." Mittag is also aware of the significance of profit as one of the primary indicators for the combines and enterprises:

in keeping with the basic economic requirement of improving in a decisive way the relationship between costs and results, profit is indispensable as a reliable measure; but, he says, it is not the major goal of socialist production. Nonetheless, since 1983 profit has appeared as one of the four major indicators for the evaluation of the performance of the enterprises; the other indicators are net production, products and services for the population as well as for export. The previously used indicator of "production of goods" remains a value in national economic planning, but is no longer a measure of the performance of the enterprises.

Mittag also very strongly emphasizes the significance of science and technology, which would have to become effective above all for increasing labor productivity. He repeated the observation made by Honecker at the 5th meeting of the Central Committee, that the level of labor productivity achieved in the GDR--which probably means industrial labor productivity--is higher than in Italy, about the same as in Great Britain, but shows a lag of up to 30 percent compared to "such capitalistic industrial states as France or the FRG." At the 6th Party Congress in January 1963, Ulbricht gave a figure of "about 25 percent" to describe the lag as compared with the FRG. This figure has accordingly become larger, contrary to expectations at the time, over the twenty years which have passed since then. Mittag's speech in its entirety certainly represents an overall design, to the extent that it deals with the goals which must be sought after, and these are also incorporated in a general context under the major goal of "intensification." Much less informative, on the other hand, are his remarks concerning the instruments for the realization of these goals. Nor could much be found in this regard in the major speeches of the four Central Committee meetings, which followed the economics conference with the speech of Mittag in September 1983.

4. Consequences for the System of Management and Planning

It is, however, clear both to the leading politicians as well as to the political economists of the GDR that the transition from extensive to intensive growth must and will have far-reaching consequences for the system of management and planning; impressive proof of this was given in the reports presented at our recent symposia. Let me repeat at least one of these quotes: Otto Reinhold, director of the Academy for Social Sciences at the Central Committee of the SED, and by virtue of this function also a political economist with great clout, said as early as January 1978 in the issue of EINHEIT which appeared that month: the total adaptation of the national economy of the GDR to the major path of intensification is "the most important and certainly the most complicated task after the creation of the socialist planned economy."

This means that "completely new requirements would be placed on the methods of management and planning, on the evaluation of performance of the enterprises and combines, on the system of indicators, the system of material interest, etc. For extensive growth of the national economy, i.e., growth measured solely in quantitative terms, it is basically sufficient to establish a few indicators as a focus of attention....The most important experience, however, consists of recognizing that the success of intensification depends on an entire complex of conditions and measures." (Footnote 5) (Otto Reinhold:

"Intensivierung--ein gesellschaftlicher Prozess von historischer Tragweite"
[Intensification--A Social Process of Historical Significance], in "Einheit"
33, 1978, No 1, p 64)

But the most important of all, however, appears to me to remain unstated in all this: i.e., that intensive growth can to a much lesser extent be centrally planned and managed than extensive growth. The allocation of manpower, funds for financing purposes and real capital can, once a decision has been made concerning growth preferences, be centrally planned in a relatively easy fashion. But how and to what extent materials, energy, manpower can be economized, which methods can be implemented in order to increase labor productivity or in agricultural enterprises to increase productivity per unit of land, depends to a great extent on individual conditions in the individual enterprises--only in a much more restricted way, therefore, can this be decided, especially since special knowledge of the field and the sector are required for this. Accordingly, the intensification of economic processes requires a greater decentralization of decision-making than does extensive growth. If now the transition from extensive to intensive growth is the major objective of the economic policy of the SED in its present phase, then the question presents itself with great urgency of how the instruments of economic policy can be adapted to this modified growth process.

In order to answer this question, it appears to me useful to take a look at the national economic plans of the current year and especially at their prologues, which are indicative of the fundamental nature of the plans. These prologues have become much more extensive in comparison with earlier plans and from the very beginning are under the dominant fiat of intensification; the now constantly-used formula of "intensive expanded reproduction" first appears, to be sure, in the prologue to the national economic plan of 1983; but then it is repeated in each plan thereafter. The importance of qualitative factors is emphasized throughout, and also in the objectives which are outlined in the plans, these play an essentially larger role than in the past. In the national economic plan of 1985, in the required growth rates in the sector of the industrial ministries, for the first time net production appears alongside the production of goods as an objective, and the required increase in labor productivity is also given now on the basis of net production. But there is relatively little to be found in the plans concerning the instruments which are to be set in place in order for these goals to be met. The basis for the strengthening of the economic capacity of the national economy is--according to the national economic plan of 1985--"the stepped-up development and economically effective exploitation of new products and advanced technologies."

Of course, all of the plans also emphasize "the continued integration of the national economies of the GDR and the USSR," as well as the intensification of economic cooperation with other CEMA nations.

In fact, the latitude that the economic policy of the SED has with regard to the selection of instruments by means of which intensive growth is to be achieved is not very extensive. The unqualified avowal of "the socialist planned economy"--more specifically, of mandatory planning--excludes a number of instruments of economic policy, because they must be regarded under the

aspect of system conformity as harmful to or destructive of the system. For example, a monopoly on foreign economic relations is a system-dictated element for a mandatory centrally-planned economy, and all modifications of the last few years have for these reason altered nothing with regard to the monopoly on foreign economic relations as such.

5. Problems of Socialist Property

It is clear that nothing will be changed concerning the principle of socialist property at the means of production. This is also true of the way in which it is utilized, above all by means of state-owned enterprises and to a much less extent through production cooperatives. The notion that a unified national property would emerge from both of these forms during the phase of fully-implemented communism evidently plays no role for present day practice in the GDR. A tendency that is observable in Hungary and China, two other socialist countries, is also of little importance to the GDR. This involves the individual utilization of socialist property. Since 1982, there have been in Hungary the so-called "inter-enterprise production teams;" their members are employees of a state-owned enterprise. These workers are allowed to use the plant's means of production on their own initiative after normal working hours, for an additional production. After the dissolution of the people's communes in China, it is today true that for a large portion of Chinese agriculture, property in terms of land remains nationalized, but the land itself is evidently used primarily in the form of peasant family operations or by groups of neighbors. This introduction of individual momentum has led in China to significant growth in earnings, and in Hungary as well the efficiency of the "intra-enterprise production teams" may very well be considerable. Similar developments cannot be discerned in the GDR, and in its literature I have not been able to find any sort of reference to these alternative forms of the utilization of socialist property.

A clear change in the direction of tolerance for individually-run small enterprises, on the other hand, has been evident since 1976 in the area of the trades, since the SED leadership is evidently convinced that sensitive gaps in supplying the needs of the population cannot be closed without the cooperation not only of trade cooperatives, but also of small private trade enterprises. (Footnote 6) (Cf. Maria Haendke-Hoppe: "Privatwirtschaft in der DDR. Geschichte--Struktur--Bedeutung" [Private Economy in the GDR. History--Structure--Meaning], FS-ANALYSEN No 1, 1982; and "Neueste Entwicklungen im privaten und genossenschaftlichen Handwerk der DDR sowie in der sonstigen Privatwirtschaft" [The Newest Developments in Private and Cooperative Trade in the GDR and in Other Areas of the Private Economy], FS-ANALYSEN No 2, 1984) Nothing has changed during the time period covered by this report with regard to their relative encouragement. To be sure, the number of private workshops has continued to decline slightly, but above all because of the aging of the self-employed artisans, the number of those employed in such shops has risen slightly. There is no reason to expect any change at present in this positive attitude on the part of the SED leadership. During the consultation of the CC Secretariat with the first secretaries of the SED district organizations on 1 February 1985, Honecker declared that with all due respect for large-scale socialist production, attention will be paid to utilizing in an even more effective way the potential of the smaller enterprises of the PGH [artisan

producer cooperative], the private artisans and tradesmen, to satisfy the manifold needs of the populace.

In the area of agriculture as well, according to a study by Karl Hohmann, there has been an increase in the production share contributed by private households of LPG [agricultural production cooperatives] members and agricultural workers as well as of small allotment gardeners, settlers and those who raise small domestic animals. (Footnote 6) ("Entwicklung und Bedeutung der privaten Agrarproduktion in der DDR" [Development and Significance of Private Agricultural Production in the GDR], FS-ANALYSEN No 3, 1984) At the present time, including private consumption, at least twenty percent of the production of animals for slaughter and vegetables and approximately 50 percent of egg and fruit production in the GDR may well come from small private producers. The area privately used by LPG members, however, is probably not greater today than in 1976. It is not possible to speak of a return to utilization by small peasant families in the GDR, unlike China; efforts are moving in exactly the opposite direction, with the goal of "agricultural production on an industrial scale."

6. Leading Role of the Party

Nothing has changed with regard to the leading role of the party in economic policy and economic steering as well. The directive for the Five-Year Plan 1981-1985 was passed as usual at the 10th Party Congress of the SED, and the law concerning the five-year plan was worked out on this basis. Also decisive for the elaboration of the national economic plan and of the government's budgetary plan for 1986 was a "joint directive of the CC of the SED, the Council of Ministers of the GDR and the National Executive Council of the FDGB [Free German Trade Union Federation], which was published in NEUES DEUTSCHLAND on 27 April 1985. The resolutions of the Politburo of the SED, on which all decisive economic policy guidelines are based, are rarely accessible to us, since they are published only in rare cases. The Council of Ministers remains the primary executive organ for these resolutions.

In the actual practice of economic steering, the influence of party organizations on all levels is still much greater than could be assumed simply from the wording of laws, ordinances etc. In the new GDR "Law Governing Local People's Representation," the party is hardly mentioned at all, although naturally in the regions, cities and districts the influence of party organizations on regional and local economic policies is decisive. Therefore anyone would be ill-advised who wished to derive his knowledge of the political and administrative reality of the GDR simply from law texts.

A section of Honecker's speech before the first secretaries of the district committees on 1 February 1985, for example, is typical of the thoroughness with which SED organizations are integrated into economic steering. According to this speech, "every responsible committee of the SED must see to it that scientific-technological work reaches a high level--this is the key question. Which new products will be developed and readied for production? With which technologies are they to be manufactured, with attention paid to good quality and low costs? This requires the attention of the party organizations...." Honecker pointed out that the GDR cannot live at a middle level. In this

regard, "each party organization must maintain a clear position." (Footnote 7) (Quote from the East Berlin BERLINER ZEITUNG 2-3 February 1985)

In this regard I would not like to neglect mentioning the fact that the increased reluctance to make information accessible that characterized the recent five-year plan period on the part of the government and administration of the GDR is a great obstacle to any analysis of economic developments in that country. As has already been mentioned, only in very rare instances are decisive decisions of the Politburo concerning the course of economic policy published. In addition to the regulations published in the law gazette, which only seldom have the form of law, but which are rather almost exclusively ordinances, regulations and executive orders, there is, in comparison with earlier periods, a significantly increasing number of regulations which are not published, but which are communicated only to enterprises or institutions to which they directly pertain. The only specialized journal for economic practice, DIE WIRTSCHAFT, was at first changed from weekly to monthly publication, and then suddenly and without any explanation, publication was completely halted at the beginning of 1983, after just three issues had appeared that year. This journal published especially informative reports from economic practice; the journal WIRTSCHAFTSWISSENSCHAFT, which is published monthly, on the other hand, is primarily theoretically and ideologically oriented. For this reason, it has become even more difficult than before to draw conclusions concerning the implementation of regulations in practice especially in the enterprises and which consequences these regulations have. For example, it is characteristic that nothing can be learned from GDR literature concerning the effects which the payroll tax, declared a "contribution to the social fund," have in practice on the enterprises. If one considers that this involves a de facto tax amounting to 70 percent of wages and salaries paid, it becomes clear that these effects cannot be insignificant.

7. Modifications in the Methods of Planning and Steering

The methods of planning and steering have undergone several kinds of changes during the period encompassed by this report. Criticism of earlier methods focused especially on the lack of innovation, the insufficient motivation of the enterprises and of the workers, as well as on the lack of flexibility in the economy; these problems proved to be very disadvantageous during times of rapid change, on the one hand for production technology and on the other hand with regard to the world market situation. However, "traditional" methods proved inadequate, as has been noted earlier, primarily because of the transition to intensive economic growth.

After the economic policy guidelines for the period 1981-1985 had been established by the 10th Party Congress and set forth in the law on the five-year plan, the years 1982 and 1983 in particular saw a large number of new administrative regulations issued which supplemented or altered previous methods of planning and steering. Within the limited scope of my report, I must restrict myself to especially important examples of their regulatory character.

As far as planning is concerned, probably the most important modification is that it is linked more closely to the combines, in a two-fold manner: first, the general managers of the combines are included more directly in the planning process than the general managers of the individual enterprises were at an earlier stage. This is probably due to the fact that the position of the general manager of a combine, whose enterprises often employ several tens of thousands of people, is stronger with regard to his competent minister and also with regard to the State Planning Commission than the position of the managers of much smaller individual enterprises.

The second link between planning and combine organization is due to the fact that the national economic plan is now worked out according to ministries and, in addition, according to combines. In this way, as Mittag explained in his speech of September 1983, a direct linkage takes place between the state's national economic plan and those economic units which receive state plan targets and which, equipped with appropriate rights and funding, work in accordance with economic accountancy. Only in this way is it possible to direct national economic planning toward the qualitative indicators of intensive expanded reproduction. The content of planning activity is thereby enriched through a more profound analysis of available reserves of intensification.

Nothing has changed with regard to the mandatory nature of the plans that are drawn up--nor is it likely that anything has changed with regard to the constantly recurring discrepancies between plan and reality, which have to be compensated during the course of a plan period by modifications in the plan.

8. Indirect (Parametric) Steering Methods

This state of affairs is clear also to GDR economic policy makers; in speeches and official statements made over the past few years, there is a constant demand for increased flexibility. Here we must ask, however, whether--in the terminology of Marxism-Leninism--an antagonistic contradiction is involved in the relationship of this demand to mandatory central planning. Various actual situations known to us from the reality of the GDR economy would seem to indicate that this is the case.

The impact that such an antagonism has depends in part on the methods used to steer economic processes. Administrative steering by means of executive order, as was absolutely dominant during the original Stalinist economic system,, was the typical steering form for extensive economic growth. The goal of the "New Economic System" of 1963, the "simple administration" by means of a "closed system of economic levers," i.e., by a predominantly indirect steering, was reached only in part, and this first attempt in the direction of a profound reorganization of the economic system of the GDR was essentially halted after Ulbricht was deprived of power in 1971.

At the beginning I spoke of the insight held by leading economic policy makers in the GDR that the transition to "intensive expanded reproduction" required other methods. These must be above all indirect parametric methods. But such a transformation by no means connotes a transformation of the economic system in the direction of a "socialist market economy." This type of economy

continues to be decisively rejected by SED leadership. For this reason, the changes that are possible in the GDR, given the system-dictated limitations, cannot achieve that extensive inclusion of market forces such as is being attempted in Hungary. Within these limitations, it only appears possible to bring about a correction in the steering system to the extent that the central organization primarily determines the framework conditions with regard to which the decisions of the enterprises must orient themselves. Evidently the present economic policy situation in the GDR is ambivalent in this regard; the policy of economic steering utilizes both the methods of a command economy as well as the methods of indirect (parametric) steering.

During the past five years, several important regulations have been introduced which clearly are of a parametric nature. Far and away the most important of these is the introduction of the "contribution to the social fund," effective for centrally-managed industry from 1 January 1984, for the construction industry from 1 January 1985. I discussed this regulation in detail in my report at our 9th symposium on 17 November 1983. This "contribution to the social fund" is de facto a payroll tax at the exorbitant rate of 70 percent of the wages and salaries paid out by the combines and enterprises. This is supposed to induce the enterprises to undertake economizing measures in terms of manpower; on the other hand, it is intended to prevent an increase in the demand for consumer goods, which would be the case with wage increases. Quite clear effects are evident on the revenue side of the state budget; according to budgetary accounting of 1984, this new source of revenue resulted in substantial revenue increases, while the revenues from profit transfer from industry were sizably reduced. It seems to me doubtful that the objective of limiting the number of employees was actually achieved; in any case, industry employed overall on an annual average in 1984 approximately 28,000 more workers than during the previous year.

Additional measures of indirect steering can be found, for example, in the regulations concerning the granting of credits. On the other hand, the imperative character of regulations was clearly intensified across the entire spectrum of material supplies, which was so important for this period. The institutions of control were further expanded as well.

It is evident that in order for a reorientation towards a predominantly indirect type of steering to function at all, it would have to be linked to a rather sweeping decentralization of decision-making powers. At this point in the framework of our topic, the question must be posed with special emphasis of the position of the combines and the decision-making authority of their managers.

At the annual "seminar consultation of the CC of the SED with the general managers of the combines" in March 1984, Guenther Mittag characterized the tasks of the combines as follows:

"Each combine must develop itself into a tightly organized and at the same time flexibly adaptive organism, in keeping with the objectively given unified process of intensive expanded reproduction, with its juridically and economically independent enterprises and establishments."

The flexibility called for here is in part dependent on the way in which the scope of the decision-making authority of combine management, on the one hand, and the superior instances on the other hand, above all the ministries and the State Planning Commission, are in actuality defined.

9. Investment Decisions as a Case Study

If one wishes to obtain concrete insights in this regard, one cannot avoid undertaking detailed studies. As a test case I have selected decisions on investments for today's report, with my decision based on the three following reasons:

1. Investment decisions are among the most important decisions made by enterprise managers. With these decisions, managers influence to a great extent the development and structure of the national economy as a whole.
2. The scope and content of the legal and administrative regulations are of critical importance for the extent to which combine management is allowed to make independent investment decisions.
3. The preparation of investments was regulated in the GDR until the end of August 1985 by a regulation passed on 13 July 1978; replacing this there is now a regulation of the same name passed 23 May 1985. A comparison of these two regulations makes it possible to determine what changes occurred in this regard during the time period 1978-1985. This time frame therefore comprises almost exactly the period covered by my report. If in this comparison clear differences can be identified, this is evidently proof that a change has occurred in economic policy strategy for such an important area as that of investments. And such changes can in fact be identified.

This becomes clear right at the beginning of the new regulation of 1985 from the principles governing investments. Among the "basic national economic priorities," on which the preparation of investments is to be based, the following will now be cited:

The most effective structuring of the cost/benefit relation; observation of the return period established in the plans (i.e. the return period of the financing funds utilized for the investment); more rapid increase in labor productivity than in the utilization of fixed assets; more economizing in jobs than jobs created (in 1978, only an equalization was required); as a result of the investments, in addition to an increase in labor productivity also a reduction in production consumption and in costs; a ceiling on the share of construction in aggregate value; basic realization of the investment project within two years. Going far beyond the earlier regulation, "the determination of necessity on the basis of the observation of the 'mandatory state

utilization norms' (stress by author) for existing machines and facilities" is to be a basic prerequisite for the preparation of an investment.

If these requirements are really to be completely met, the scope of permitted investments--and correspondingly, also the latitude for the general managers

of the combines to realize their own investment plans--is likely to be quite small.

The investment principals must work out their objectives in a task description. This must normally be approved by the responsible minister or by the district council, if the aggregate value of the project surpasses M20 million. For investment projects with an aggregate value of between M5-20 million approval must be obtained from the director of the organ immediately superior to that of the investment principal. If this investment principal is a combine or a combine enterprise, the approval of the general manager of the combine is sufficient for investments of this size. It is noteworthy that the right of approval of the general managers is limited to relatively small investment projects, while this competence is transferred to governmental agencies as soon as larger investments are involved.

It is characteristic of the complexity of the procedure that the description of tasks must first be approved; then, after the preparation of very extensive documentation, a basic decision must be reached. Moreover, this decision must be made by the same instances which are responsible for confirmation of the task description.

In the new regulations, the instructions concerning state approval and supervision of investments have been greatly expanded. The approval process is carried out by the Central State Inspection for Investments of the State Planning Commission, as well as by the state appraisal offices at the ministries, other central state organs and the regional councils. The state appraisal offices are supposed to "support the responsible managers in the decision making process concerning investment projects," as is carefully formulated in the regulation. However, the state's competence goes de facto much further. State approval must be obtained for all investment projects exceeding M5 million; for other projects, this can also be made obligatory by the chairman of the State Planning Commission or the president of the State Bank. Subject to state approval are the documents related to tasks and to preliminary investment decisions, as well as documentation on principal decisions and for preliminary measures. For investment projects which are subject to official approval, the state manager may only make a decision once the state appraisal office has issued its approval. The director of the Investments Central State Inspectorate is authorized to set state targets for both contractor and supplier in investment projects.

In the new version of the regulations, the state's right to intervene has been clearly expanded overall. For example, the regulations of 1978 ruled that state approval must be sought for projects with a value exceeding M5 million only when the investment was to be financed from state budgetary funds; all investments over M5 million, however, are now subject to this requirement.

The regulation of 2 August 1983 "regarding the review and revision of the normative period of usefulness and the depreciation rates for fixed assets" severely restricted the decision-making powers of the enterprises with the following implementation regulations. Their objective is a significant extension of the period of usefulness of existing means of production. A "review" of the period of usefulness is, to be sure, to be carried out by

combines and enterprises which are designated by the responsible ministries. However, they are bound to the following principles which are spelled out in the regulations:

- In principle, the previously valid normative period of usefulness should be extended by at least thirty percent.
- In the re-determination of the normative period of usefulness, calculations must be based on the period of usefulness of the basic design elements which is technically possible, given appropriate service and maintenance.

These very restrictive directives were evidently necessitated by the restriction on investments, which for its part is closely related to the situation of the balance of trade and payments in the GDR; this issue has been discussed in detail at our symposia during the past few years. It appears very questionable whether the sought-after optimal rationalization can be achieved in the face of such limitations on new investments, however.

The regulation passed on 1 October 1972 concerning the need for state approval of the location of investment projects represents an additional limitation on the decision-making latitude concerning investments. This regulation is supposed to serve the purpose of the rational geographic distribution of productive forces and to effect a coordination between sectoral and territorial combines and population concentration. According to these regulations, state approval or confirmation is required for the location of all investments greater than M100,000, with the exception of investments of up to M5 million which only involve equipment. According to the size of the total investment, permission must be sought from the councils of the districts or municipalities, the districts or the regions. This regulation has been sharpened since then by the inclusion of economic objectives related to transportation; according to an implementing regulation of 1 September 1982, during the process of selecting a location and preparing the investment, attention should be paid to ensuring that the investment "leads to the minimal expense possible in terms of social transportation." In the case of larger investments, the approval of a location can only be granted after the State Planning Commission has undertaken a micro-regional allocation.

If one takes all these regulations into consideration, the latitude that is open to combine management in investment decisions appears quite limited. In the course of the last five years, this latitude has not been expanded, but has rather shrunk.

Based on this analysis of investment decisions, the conclusion should not be drawn that a more restrictive attitude can be observed for the entire area of economic policy; there are also contrary examples, but they are somewhat limited in scope.

10. The Unsolved Problem of Pricing

The formation of prices still remains an unsolved central problem--not in the least also for the evaluation of performance levels in the enterprises. Especially with regard to the just-ending five-year plan period, it is clear

that this problem remains unsolved. For two basically new methods of price formation from the 1970's have been de facto abandoned, even though certain residues remain. On the one hand, there was the method of fund-related pricing, with which capital costs were to be included in a cost-oriented price formation. The second method, which was introduced in 1976, was the formation of prices according to the price-performance ratio; this method was supposed to take into consideration improvements in use value in the price formation of new products, thereby offering the enterprises an incentive for innovation. The methods applied to measure use value, however, proved to be much too imprecise; in 1984 this method was once again abandoned.

The intermittent use of this method of price formation clearly shows the difference between a centrally administered economy and a market economy. In a centrally administered economy, a state office charged with price formation is supposed to decide on the use value of a product. In comparison, in a market economy with an actively functioning competition, the market decides on the use value of a product; greater use value leads to price advantages, and thus an enterprise which has dared to assume the risk of innovation is rewarded. Furthermore, if we add that an enterprise within the market economy is subject to constant pressure from its competition and is in addition, with regard to labor costs, subject to union wage guidelines and governmental social policies, this means that there is adequate motivation to undertake innovation, even though more or less great risks are usually linked to such innovations. The lack of this kind of motivation which is based on similar forces remains one of the especially critical points in the economic system of the GDR; it is an essential cause of the well-known "innovation weakness" of this system.

The five-year plan period that is just ending brought forth a great number of regulations concerning price guidelines and price policy (not the least in the area of agriculture, which, as I mentioned at the outset, will not be treated in this report). The principle of authoritarian price formation instead of the formation of market prices still holds true. This is stated in all clarity in the "regulation concerning the central state calculation guideline for the formation of industry prices" of 17 November 1983. The following is excerpted from Section 1:

"The central state calculation guideline sets out the requirements of the state concerning the formation of industry prices, the calculation of costs and profits as well as the methods to be used for this calculation. By means of a close linkage between central state management and planning of industry prices with the implementation of the central state calculation guideline, it is to be insured that prices remain firmly in the hand of the socialist state and that price work continues to be rationalized....Industry prices are to be used as an effective instrument of management, planning and economic accountancy....The economic categories of cost, price and profit must be more effectively utilized in the formation of industry prices."

Unlike most other CEMA countries, the GDR continues to adhere to the principle of price stability for basic goods and services; this has led to a considerable increase in subsidies paid for out of the state budget. However, the prices of luxury consumer goods are supposed to reflect their actual costs--"the socially necessary expense," in GDR terminology.

The principles for the formation of "industry prices" are spelled out in the just-mentioned "general calculation guideline," as well as in other directives; the term "industry prices" includes almost all types of prices, with the exception of the prices of consumer goods, which are kept low. According to a regulation passed on 10 February 1984, special requirements hold for so-called "exquisite products," which are sold in "exquisite shops" at greatly inflated prices.

The regulations concerning price formation are very complicated and therefore ill-suited to contribute to the desired flexibility of the economy. Standard costs and standard profit are both decisive for price levels. One should not forget, however, that the concept of cost is quite different in the GDR and in the FRG and other countries with a market economy. In recent years, numerous special calculation guidelines have been mandated for individual economic sectors, as well as numerous ordinances passed concerning price changes for individual goods or categories of goods. These price changes usually involve price increases, brought about in part because of the fact that energy sources and many raw materials--even within internal East Bloc trading--and other cost elements have undergone considerable price increases during the plan period. It is noteworthy that such price changes also affect current contractual agreements. However, the special calculation guidelines and price lists are not published, but are rather sent directly to "authorized recipients."

In many of its aspects, price formation in the GDR does not meet the requirements which it would actually have to fulfill with regard to the goal of intensive economic growth. For this, a price system would be necessary which took into consideration the relative scarcity of resources and which was also flexible enough to adapt rapidly to changing circumstances. There is neither a theoretical basis for such a system, nor is there a desire on the part of leadership to fundamentally change the present price system. Therefore, I believe that the inadequacies of the price system will represent a serious obstacle to the realization of "intensive expanded reproduction."

11. Conclusions

I shall now draw these remarks to a close. I had directed my report to the question: Continuity or Change in the Economic System of the GDR in the Concluding Five-Year Plan Period? At the beginning of my remarks, I mentioned statements both from representatives of the political leadership of the GDR as well as from leading political economists, which raised expectations of far-reaching changes in the system of management, planning and economic stimulation. My analysis concerned these expectations only in part: there were, to be sure, critical changes in the traditional system in preceding years but not during the period 1981-1985. Decisive factors in the preceding changes were:

1. the implementation of the combine principle for all industrial and construction sectors as well as for other non-agrarian sectors of the economy;

2. the transfer of tasks, which had previously fallen especially to the ministries and in part also to the directors of the individual enterprises, to the general managers of the combines.

The leadership of the GDR continued to pursue this course during the period 1981-1985; nonetheless, as I demonstrated using the example of investment decisions, the decentralization of decision-making authority was once again curtailed to some extent.

Nothing has basically changed concerning the principle of mandatory planning; the influence of the combine managers on plan elaboration may have increased. With regard to steering methods, the GDR leadership continues to utilize both direct as well as indirect (parametric) methods; the latter were considerably expanded especially by the introduction of the payroll tax. However, as a whole the directive methods continued to predominate; in this regard, the restraints issuing from the economic bureaucracy continued to play a significant role, and the utilization of indirect methods is also hampered by the fact that the problem of the formation of prices that are "economically correct" in terms of the system remains unsolved.

In conclusion, it may be said that there have been various kinds of changes during the plan period that is currently drawing to a close; yet in comparison with the economic policy of the end of the 1970's, continuity predominates. In any case, it is not possible to speak of any basic change. Nor do I believe that a fundamental change can be expected during the next five-year plan period.

In the so-called Novosibirsk Study, which received much attention in the West in the summer of 1983, the author, sociologist Tatjana Saslawskaja, member of the Siberian section of the Soviet Academy of Sciences, wrote the following concerning earlier reforms of the Soviet economic system:

"Actually, over the past decades there was a series of attempts to introduce individual progressive management methods into the existing system; however, each of these attempts was gradually eliminated as incompatible with the spirit of the system. An analysis of experiences in this area leads to the conclusion that it is impossible to further develop the mechanism of economic steering, which arose many decades ago, by gradually replacing the mostly obsolete elements with more efficient ones."

Those changes in the "traditional" economic system of the GDR which have taken place up to the present correspond to a large extent to those Soviet methods which were characterized by the Soviet sociologist as inadequate. For this reason the GDR seems to me to represent a test case for the question of whether or not its economic system can in the long run be made valuable in keeping with a policy of "intensive expanded reproduction" by the use of such methods.

13139

CSO: 2300/333

IMF, WORLD BANK ADMISSION IMPACT EVALUATED

Karcz on Effects of IMF Membership

Warsaw ZYCIE GOSPODARCZE in Polish No 23, 8 Jun 86 p 5

[Interview with Zbigniew Karcz, director, Foreign Affairs Department of the Ministry of Finance, by Karol Szwarc]

[Text] [Question] Karol Szwarc: We are returning to the IMF. Are you happy about this?

[Answer] Zbigniew Karcz: Yes, even if only because this is the result of a number of years of effort. I have hopes that the matter will be finalized in this month.

[Question] It is too bad that we did not apply for admission to this international organization earlier.

[Answer] I, too, am sorry. Probably the talks on the Polish indebtedness and the form and scope of sanctions applied after imposition of martial law in our country would have been different.

[Question] In saying "different" you probably mean that the situation would have been better.

[Answer] Naturally. Always in the past during negotiations for repayment of debts--there have been many such cases in the past, and now they have become quite routine--the Fund, if member countries are involved, assumes the role of mediator. It holds discussions with the government on how external and internal balance can be restored. At the same time, it examines the inclination of the creditor to make possible concessions. As a result, the IMF, together with the country involved, determines methods by which the interest on the debt and the principle can be refinanced. The Fund also makes recommendations as to new credits.

In our situation, we had no choice but to talk directly with our creditors. On the other hand, had we been members of the IMF at that time, it would probably have been possible to obtain better terms for rescheduling the Polish debt and the process of achieving agreement would also have been easier.

[Question] Why, then, did we not apply until 1981?

[Answer] We have to make a distinction between desire and ability. We left the IMF in 1950. However, already in 1957 the Polish Government surveyed the possibility of eventually returning. Naturally, these consultations had to be conducted with those member-countries which have the greatest influence on the decisions of this organization. The talks with the US State Department at that time indicated a lack of interest on the part of the West in our return to the Fund. Apparently the cold war lasted longer there.

In the 1970's discussions again began in our country on the subject of our return to the IMF and the World Bank, but no positive decision was made. I believed then, and I still believe, that this was a mistake.

Not until November 1981 did the Polish government make an official application for admission to both these international organizations. Although nowhere is it a matter of official record, in practice the time between submission of an application and acceptance as a member-country has never exceeded 9 months. That was also probably true in the case of Poland. The sanctions imposed by the West on our country were responsible for the longer waiting period this time. The American declaration at that time considered the most important sanctions against us to be the withdrawal of the most-favored-nation clause, a credit boycott, and a boycott against Polish efforts to return to the Fund.

[Question] Is not acceptance in the IMF a form of normalization of economic relations with the West.

[Answer] Certainly. The process of normalization began even earlier and these relations are going well with most of the Western countries. Now a kind of plebiscite on the world scale was conducted. It turned out that most countries want to have normal contacts with Poland. Undoubtedly this will contribute to a discontinuance of the isolation which the West attempted to impose upon us. However, this does not exclude the possibility that some countries will continue their unfriendly economic or financial policy. The return to the IMF does not in itself automatically solve all problems and does not determine the shape of bilateral relations with all countries of the world.

[Question] Can we say that all Polish economists share your satisfaction?

[Answer] I did not poll all Polish economists. In the confrontation of views in which I participated the need to return to the IMF was more frequently underscored than denied, because many issues of economic reform are closer, philosophically, to the Fund's operating principles. At the same time, I know that there have been, and still are, different opinions on this question.

[Question] What does the essence of these differences come down to?

[Answer] It is often said that membership in the IMF is not the cure for real troubles. For example, it did not prevent the indebtedness trap of such countries as Argentina, Brazil or Mexico. On the other hand, membership in

the IMF carries with it certain obligations and the threat that the economy will be penetrated.

[Question] Is the problem of whether or not this is worth it not a case of real doubt, rather than imagined doubt?

[Answer] Certainly we should not ignore the fact that not all the socialist countries belong to the IMF. We also know under what conditions some of them resigned from the Fund and under what conditions they joined it. We should also consider the fact that the deciding votes in the Fund are cast by the wealthiest countries of the West.

Nevertheless, the IMF cannot impose on a sovereign country an economic policy which it concocted. Disputable problems may arise between the experts of the Fund and a given government. The discussions may be difficult. The possible range of real assistance may differ, but one thing is certain: the government of a country is responsible for its economic policy. Even if the representatives of the IMF and a given country come to an agreement, find the appropriate remedy, and the IMF gives the necessary assistance, the most vital condition for success will be the consistent implementation by that government of the jointly developed strategy of conduct.

[Question] Most often when there is talk about the benefits derived from IMF membership, one hears about credits, or the assistance of experts. But aren't the results which are difficult to measure equally important?

[Answer] A large part of the world has become accustomed to using the Fund's informational materials. In the nonsocialist countries there is a widespread opinion, for political or apolitical reasons, that it is very difficult to obtain data on the economies of the socialist countries. But the truth is that there are simply other ways to collect information and other methods of presenting even these same economic categories. This creates a certain lack of confidence in the industrial or banking circles, which do not have to immediately create their own scientific institutes dealing with Poland's economy. Entry into the IMF's information system, which means that our data will be translated into the language of the UN, will help to eliminate this lack of confidence. Unquestionably this will facilitate contacts in cooperating with the West.

[Question] Membership in the International Reconstruction and Development Bank makes it possible to obtain loans for implementation of long-range investment plans. At the same time it provides our producers greater opportunities to export due to the ability to participate in the bidding--reserved exclusively for member-countries--on third-world projects supported by the bank. Are we prepared for this?

[Answer] We already have a large construction potential, specializing in the export of services. Also, many machinery enterprises have experience in supplying equipment for large jobs. Lately our traditional markets are shrinking. Therefore, from the standpoint of materials, there are no particular obstacles. However, the concept of this expansion, its organizational part, still requires a lot of preparatory work.

I must warn here against cheap optimism. This will not be an easy matter because the requirements set forth in the bidding are in no way different than those which are generally in effect in international contacts.

[Question] Will return to the IMF allow us to achieve external balance more quickly?

[Answer] We should not expect that joining the Fund, and even obtaining financial aid, will in itself solve our payments problems. These may only be factors which help us achieve external balance more quickly. In other words, these should only be catalysts in the production of additional internal results, helping to improve the external situation.

After 10 years of an unfavorable balance of exchange of goods and services with nonsocialist countries, for the first time in 1982 we have achieved a favorable balance. And this despite many unfavorable external and internal conditions.

[Question] It can be said that in a certain sense we have been forced into this.

[Answer] That is only partly true. The decisive factor was the consistent policy of the government, aimed at reducing imports to obtain a favorable balance.

We have already gone two-thirds of the way in fulfilling our obligations. We are envisaging a favorable balance of goods and services amounting to approximately \$2 billion this year. To fully service the debt, we need about \$3 billion.

We are doing this under conditions which are not typical for countries in debt.

[Question] Really?

[Answer] That is, two elements were typical: the reduction in consumption and import. On the other hand, what was atypical was that this change was made at the same time as sanctions were applied and various other restrictions in relations with our creditors appeared. Therefore, the distance from an unfavorable to a favorable balance was covered through our own efforts, and also through the assistance of the socialist countries.

The additional billion-dollar distance will undoubtedly be covered more rapidly and more easily through membership in the IMF and the gradual normalization of economic relations with the West.

[Question] Shortening the time until we reach a payments balance is probably not only in the interest of our creditors.

[Answer] That is true. The longer it takes to achieve balance the larger the costs of servicing the debt in the future will be. And the longer and

more strongly the issue of the balance of payments will impede the growth of the standard of living and the economy's development.

[Question] To what degree will membership in the Fund and in the World Bank make it easier for us to recover domestic balance

[Answer] I believe that all external imbalance arises out of internal imbalance. I know of no case in which severe external difficulties appear while there is economic order within the country. The economy appeases excessive import and does not produce enough for export when there are some kind of perturbations in the internal mechanisms.

That is exactly how it was in our country for many years. And unfortunately, it is still continuing. For example, at one time we were a significant exporter of cosmetics. Today we are almost completely absent on the international markets because Polish production is insufficient to satisfy domestic needs. Occasionally we must even supplement our own stocks with imports.

Insofar as a precise reply to your question is concerned, the effect here can only be indirect. As a result of talks, we can, for example, develop a more effective concept for reducing the burden of the debt-servicing on the Polish economy. Discussions on price policy, the range of state control, subsidies, allowances, the budget deficit, etc., may also turn out to be helpful. True, these are not matters new to us. We have ourselves given a great deal of thought to them, and are still doing so, but the opinions of experts of international renown cannot be disdained.

[Question] Does not necessity for more export come down only to the need to service the debt?

[Answer] I admit that the thesis that a growth of export will lead to a reduction in the standard of living is incomprehensive to me. The examples of many countries--to say nothing of economics text-books--prove that it is precisely due to higher exports, making it possible to increase the size of imports, that an improvement in the standard of living can be achieved. Therefore, the necessity of a growth of export is a grave issue for the economy. It is important even when there is no indebtedness problem. It is not only a way to increase consumption, but also to improve efficiency, increase the flow of technology, and catch up with world achievements.

We are bandying slogans on structural changes. Yet we still have no remedy on how this can be done. I do not believe in the effectiveness of action based on a balancing approach to the economy and the exclusive use of instruments of central investments. Experience has shown that this method has not been successful even when the central authorities had enormous funds at their disposal. How, then, can one depend on this method when the funds are much smaller?

I believe that one of the basic prescriptions for structural changes may be a rate scale for enlarging the amount of foreign trade. The enterprises, endowed with all of the three S's [self-dependence, self-management, self-

financing] could be the principle executors of this idea. They would be the advocates for such changes in organizations, designs and technologies, which would better adapt the state of production to the world that surrounds us. As a consequence, the goods produced by these enterprises could be sold on the international markets.

[Question] But what should be done so that our enterprises, and along with them the entire economy, would really turn towards export?

[Answer] Some of the economists are of the opinion that everything possible has already been done in the field of mechanisms. Yet the system is still not working. Others are of the opinion that the instruments must be perfected.

I believe that the entire problem lies somewhere in between. Certainly we have put into place many aggressive incentives for export, but at the same time we have also expanded many other aggressive incentives in connection with the domestic market, with savings in raw and other materials, etc. Under these circumstances, insofar as additional benefits are concerned, the enterprises have not one but many doors open to them. They select those that offer the easiest passage. Therefore, the first step is to reduce the number of these incentives and thus give the important ones, those connected with export, more weight.

Another step is to break through the psychological barrier. Our society does not know very much about economics.

[Question] Is it really that obvious?

[Answer] When we are talking in general terms this lack of knowledge may still be questionable. But when we talk in specific terms, the picture changes. In the Polish social consciousness, the following syndrome functions: Export is entirely bad and import is entirely good. And that is exactly the opposite of everywhere else in the world.

We give too little thought to our contemporary economic history. During the 1960's the market called for non-iron shirts. The PKO Bank, the PEWEX of that time, sold over a million of these shirts, for dollars, annually. When we entered into coproduction with Western firms, Polish shirts with a black rose flooded the European markets, and were also available in every one of our shops. It was the same with bicycles and electric irons.

[Question] And when a high level of technology comes into play?

[Answer] Naturally, it comes more difficult, but the principle remains the same.

Finally, we must also perfect certain existing tools. That is the case, for example, with exchange-rate policy. We cannot continue to tolerate its pro-import character. Almost everything that is imported--raw materials, other materials, machinery and equipment, components--is cheaper for the producers than goods bought domestically. The more that the possessor of a retained hard currency earnings allowance imports, the healthier he is economically.

In my opinion, this tendency is murderous to efficiency. To say nothing about the fact that it seriously increases the pressure to import.

No Danger to Autonomy Seen In Loan Terms

Warsaw ZOLNIERZ WOLNOSCI in Polish 27 Jun 86 p 4

[Interview with Prof Michal Dobroczynski, department of World Economy and International Economic Relations at Warsaw University, by Henryk Kawka]

[Text] Poland has again been admitted to the International Monetary Fund and has applied for admission to the International Bank for Reconstruction and Development (IBRD). In connection with this, we requested an interview on this subject with Dr Michal Dobroczynski, professor in the department of World Economy and International Economic Relations at Warsaw University.

[Question] Henryk Kawka: What influenced Poland to rejoin the IMF?

[Answer] Professor Dobroczynski: First of all, we must say that the IMF is an institution that is part of the UN system and therefore our return to the fund is not only linked to specific economic needs but it also has a political character. It is based on the fact that we are implementing one of the important assumptions of our foreign policy, i.e., cooperation with the UN. Poland was always, in this respect, one of the countries which was particularly interested in having the UN and all of its special agencies function in accordance with the principles of the UN charter. We want to collaborate not just in selected activities of the UN, but in all of them. The IMF and the IBRD are two special organizations of the UN to which we belonged for 30-some years. Furthermore, we believe that if our political line is economic cooperation with all countries of the world regardless of their political systems, which is what our party program and the assumptions of our foreign policy state, then we must do everything necessary to make this cooperation harmonious and broadly encompassing. Membership in the IMF and the World Bank is one of the instruments which enables Poland to most efficiently develop economic cooperation with all of the countries of the world. And this should be emphasized, so that it should not be believed that we are joining the Fund for economic reasons alone, because of our known economic difficulties.

[Question] But they do have a certain significance...

[Answer] We must understand the difficulties which our country has faced in connection with the great economic crisis which we experienced during 1979-1982, and, well, we are now gradually overcoming it. We must remember that our debt to the second payments area [capitalist countries], in convertible currencies, amounts to \$33 billion. We also owe approximately 55 billion rubles to some of the socialist states. We must pay these debts. We have obtained certain conditions which enable us to postpone debt installments, but this does not change the fact that for some time now we have been paying \$1.5 to \$2 billion dollars in interest each year. And this sum is only part of the interest which is due. If we were to pay all of the interest on a current basis, it would amount to \$3 billion. At the same time, we must make sure

that our economy is functioning normally, obtain technical means, equipment, materials, spare parts, etc. They are indispensable to our domestic needs and to start up the necessary export production without which there can be no talk about repaying our loans. In order to do this, for some time we must obtain new foreign credits. From this standpoint, admission to the IMF may be vitally important for a couple of reasons:

--First, the funds which we obtain from the Fund are generally large medium-term credits for a period of 3 to 5 years. The interest on them is clearly below the average rate demanded on Western markets. Thus the credits obtained from the IMF are advantageous.

--Second, membership in IMF and the obtainment of credits from this source is proof of our economic credibility. The fact that we are obtaining credits from IMF increases the confidence in us, as a creditor, of foreign state and private banks. It has been determined that in the past 10 years, \$1 million of credit granted by the IMF makes it possible to obtain up to \$3 million from these banks. Membership in the IMF gives credibility to the country as a creditor. It proves that it is conducting a correct economic policy and thus will be able to repay its loans.

--Third, a country which belongs to the IMF has certain rights regarding export of different goods and products and construction of industrial facilities in other countries. Thanks to credits granted by IMF and the World bank, various types of investment activity is being conducted throughout the world, and especially in the developing countries. Furthermore, only member-countries have the "right" to export goods and services using these credits. Therefore, we will have a greater export potential.

--Fourth, joining the IMF will make it possible for us to join the IBRD. This is very important to us. True, not all IMF members have a right to become members of the IBRD. The criterion set is a certain per capita ceiling of national income. We already know that we meet these requirements. Membership in IBRD may bring still greater financial benefits, because the Fund, as a rule, grants money only to solve current payments difficulties. The World Bank, on the other hand, grants funds for long-range development investment. These are long-term credits, granted for a longer period than those obtained from the IMF. The Bank gives credit for a term of 10 to 20 years. Obviously, these are much more favorable terms than those obtained on the world currency market.

[Question] Are there any political or economic requirements?

[Answer] Both IMF and the World Bank are specialized organizations. They conduct thorough, highly competent economic studies on the world economy, on international economic relations, including currency, and on the economies of individual countries. Naturally, this does not mean that the opinions, analyses, suggestions or advice of the experts in IMF or the World Bank should be, or have been, accepted uncritically. It must be said--and I know this from my own experience because at one time I worked in the UN secretariat and was able to see the materials prepared by these institutions pertaining to various countries, especially the African ones, and I must say that these were

very professional and relevant reports and reasonable proposals for economic development. The debtor countries treated them very seriously, as being beneficial to them.

Poland is required to fulfill the same conditions for admission to the IMF and the World Bank as are required of other countries. These are primarily formal requirements, such as submission of an application. Then conditions specifying our contribution to the Fund had to be negotiated. As a rule, credit larger than 3-4 times the amount of the contribution cannot be obtained. Each loan is negotiated separately. These are not loans granted "in general." These are credits for specific economic purposes, which must be reasonable. If a given country does not reach an agreement on this with the Fund or the Bank, the credit is not granted. There is no doubt that eventual credits for Poland will be allocated for the expansion of export activities. And there will be no differences of opinion on this issue. That is, for selected sectors of industry and the agricultural economy.

No conditions are being required of us which would limit our sovereignty. We will simply comply with the rules which have been established by over 100 member-countries. We must emphasize that we are not reducing our control over any kind of area, over our domestic or foreign policy. Contrary to opinions sometimes expressed, a member-country retains complete autonomy in making any kind of decision. In entering into a particular credit transaction, a given country must agree to the measures suggested by the IMF to make the most efficient use of the credit, but if it believes that the advice or recommendations are not acceptable, it simply withdraws from the transaction. It must be said, however, that in its activities with third-world countries, the IMF frequently had to negotiate with the debtor countries which were not always able to properly utilize the credits granted by the Fund or the World Bank.

Not only do Western countries belong to the IMF, but many developing countries also. A good number of them have selected the pro-socialist road to development. Of the socialist states, Hungary, Romania and China are members of IMF. The more such countries in the Fund, the greater will be their influence in it.

Obviously, the Fund or the World Bank are not always right, but it is characteristic of them that they oversee the use of credit from the economic point of view. It also happens that what is correct from this viewpoint is not always correct from the social viewpoint. And here is where the differences of opinion occur when, for example, the IMF or the World Bank, advises "tightening of the belt" in consumption, and the government of a given state cannot do that for social reasons. Nevertheless, many suggestions are very good. Often they prevent a mania for largeness or investments for prestige reasons. But let us cite an optimistic example: Credits granted to Hungary for development of agriculture and the farm-food industry have enabled it to obtain very large amounts of foreign exchange from this production.

[Question] And can the IMF experts inspect our economy?

[Answer] The IMF experts who visited our country were here for the purpose of acquainting themselves with the general state of our economy and made no suggestions to us. Very rarely do they attempt to limit already existing social privileges. At the most, the suggestions may involve limitations on new ones. It is very hard to take away what has already been given a society. The experts can only familiarize themselves with the materials which we make available to them. From this standpoint, public life in Poland is very open. Our information on the subject of economy exceeds, in quantity as well as quality, the data published by the Western countries. The experts said that they were completely satisfied with the information and data given them.

The conditions set forth during admission to the IMF and the World Bank and during the granting of credits are and must be the same as required for other countries. They may be very specific, depending on the opinion of the experts. For example, in one case they can recommend the development of agriculture, in another case, industry.

In conclusion, I would like to emphasize that admission of Poland to the IMF and the World Bank is still one more important step in the process of the disintegration of the system of isolation, which the Western states wanted to impose upon us on the international arena. And one more thing. The admission of Poland to the IMF and the World Bank does not release us from the unqualified obligation to develop the means essential for the further economic development of our country and for the repayment of our foreign debts.

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FURTHER CRITICISM OF METALLURGY INDUSTRY MERGER

Corporative Structures Threaten Reform

Warsaw ZARZADZANIE in Polish No 3, Mar 86 pp 3-4

[Article by Marek Dabrowski: "Misunderstanding About Organizational Structures"]

[Excerpts] There is a battle going on about the further fate of the Polish economic reform. The recent 4 years of its implementation passed under the sign of institutional [systemowe] compromises. The reasons for this may be sought in political and economic factors; in the clashing of various concepts of the reform and of the interests of various lobbies in the administrative apparatus as well as sometimes in resistance of a doctrinal nature (this concerns, for example, the role of the market mechanism in the reformed economy). However, it appears that the possibilities of the policy of compromise have already been exhausted. Its further continuation would mean not only stagnation, the proverbial "running aground" of the reform, but its outright regression and gradual withdrawal into a command-directive system.

The discussions and controversy pertain to the practical functioning of the Polish economic system. During recent months, the problem of the shaping of economic structures has moved significantly to the forefront. The as yet unsuccessful attempts to create a gigantic branch monopoly in the iron and steel industry have become a direct stimulus for heated discussion on this subject. Everything points to that the outcome of this strife may turn out to be crucial to the fate of the reform in the next few years.

...However, when public opinion was preoccupied with the fate of the controversy about the draft plan of the metallurgical corporation, in the neighboring ministry an analogous structure was created--the Megat Corporation without publicity or public opposition. Twenty-one enterprises of the electrical and machine building industry, including such potentates as Zamech in Elblag, Dolmel in Wroclaw, and Elta in Lodz, lost their independence and self-government and were relieved of the rigors of self-financing. Therefore, de facto they lost the economic traits of an enterprise. Reform in a significant portion of the economy has become history.

Bureaucratic Workshops Do Not Idle Away Their Time

Concepts are emerging whose aim is to "improve" the organizational structures in the respective branches and divisions. In order to implement the, various tactics are being used: informal pressure exerted on directors and workers councils; short amount of time given to take a stand on ministerial projects; the promise of tax relief, budget subsidies and higher wages in return for voluntary incapacitation and similar moves. This is a classic "carrot on a stick" policy. It may come as a great surprise that the functionaries of the central administration, who are paid from the state coffers, instead of implementing the official policy of the government, which invariably proclaims the necessity of consistently putting into effect the economic reform, and protecting the binding laws channel all of their energy into activities aimed at circumventing or breaking the law, thus, exposing the state budget to the risk of a greater deficit than had been the case until now. I refer this matter to the attention of the agencies of state control and law and order.

Various pseudoscientific justifications, whose roots are in the intellectual relicts of the command-directive system, in unreliable reasoning or in simple ignorance play an important role in forcing through monopolistic projects. Let us take a closer look at this problem.

The First Mistake

The first mistake is the deceptive practice of referring to the experiences of the economy of Western countries. The advocates of concentration on the homeland very often claim that in looking at the example of other countries they are only trying to imitate or so to say, "catch up" to highly developed countries. It is their conviction that the domination in these economies of large corporations is the basic element of innovation and competitive power on international markets. This point of view is based on the obsolete picture of the present-day capitalist economy. Indeed, there was a period of the intensified processes of concentration and monopoly in its [capitalist economy] history but this occurred at the turn of the 19th and 20th centuries and perhaps as late as during the 1920's and 1930's. In the last decades, however, this process has slowed down and even reversed itself. Particularly characteristic in this respect is the period of intensified structural changes in recent years. These changes are brought about not in the least by economic giants but on the contrary, by small and average-sized enterprises. Small firms are credited with the development of the most modern fields, among others, microelectronics and with ushering in crucial innovations. Large "established" enterprises in general exhibit less efficiency than the so-called newcomers and run the risk of bankruptcy more frequently. The processes of deconcentration also include branches of the heavy and raw material industries. Thus, those areas of the country where the stereotypes about the advantages of concentration are exceptionally strong.

It would be worthwhile to present a few crucial reservations here. First of all, even the largest corporations in the West do not operate on the basis of absolute monopoly because they are under pressure from foreign competition and the continual appearance on the market of new manufacturers.

Under Polish conditions both of these "safeguards" are blocked. The first one, because of the lack of the convertibility of currency, the state control of foreign exchange, and the monopolistic attitude of the majority of the foreign trade enterprises, and the second--because of strict licensing [koncesjonowanie] of ministerial barriers, etc.

Secondly, the growth of corporations after World War II occurred in most cases in the form of conglomerates; i.e., through the diversification of the activity profile. This process did not, therefore, threaten with monopolistic results. In Poland, attempts are made at forcing through branch concentration leading to absolute, administratively protected monopolies.

Thirdly, the argument about "catching up" with the West is not accurate in that, strictly speaking, there is no economy among highly developed countries that is as highly concentrated as the Polish economy. In addition, our form of concentration is a purely organizational and not a technological phenomenon. The artificial merging of coastal plants with those from the area of Bieszczady into one body does not increase production. This leads to the internal bureaucratization of an enterprise, to the erosion of the economic account in the particular constituent entities, and to the weakening of self-government (in such a complex body, the work force does not have the opportunity to exercise direct control over the processes of management).

Fourthly, the majority of large corporations are organizations with a high degree of internal decentralization. Individual divisions often have a much greater degree of economic independence (together with the right to compete with each other) than Polish enterprises that identify themselves with the "three S'" formula.

To conclude of this litany of objectives, let us add one more thought. Many so-called experts on the subject of organizational structures in the economy of the West exhibit a very characteristic lack of consistency. In analyzing the functioning of the capitalist economy, they stress the social, economic and political harm of concentrating capital and of monopolistic processes. At times, these assessments are excessively tarnished. The experts do not take into consideration such factors as international competition, cost-quality competition or the threat of a new producer on the market. However, this does not prevent these persons from proposing administratively imposed processes of concentration in the socialist economy.

The Second Mistake

The second mistake is based on shifting the principles, which are binding at the time of shaping structures within the administration, within the army, within enterprise management boards, etc. to the sphere of the organizational structure of the economy. If the striving for a clear organizational distinction of the powers of the administrative agencies of a given echelon (e.g., ministers within the framework of the government

or divisions within the management of an enterprise) is justified, so the same type of striving with respect to the activity profile of enterprises inevitably leads to monopolistic consequences. In any case, this is the way that the popular concept of the 1970's of branch "purity," which only brought about so much harm to the economy, was born.

Another characteristic misunderstanding of this type are the complaints about the allegedly excessive range span of enterprise management on the part of parent agencies who are supposed to justify the need for reviving intermediate echelons. The discussion alone on the issue whether this range is extensive or small carries within it the characteristics of a substantive error. The span of management may be talked about in the case of a hierarchic structure of, for example, an administration, the army, an enterprise's internal organization, etc. In a reformed economy there should not be a hierarchic dependence of an enterprise on a superior entity. Continued thinking patterned after the command-directive system attests to the inability to understand the principles of the reform.

Another Mistake

The next mistake is related to underrating or the downright conscious negating of the role of the market mechanism in the reformed economy. The unswerving argument of the opponents of the consistent implementation of market relations is as follows: they [market relations] cannot be applied in the economy of Poland because it is excessively monopolized and there is a lack of competition and a lack of prospects for the differentiation of the economy. Perhaps it would be worthwhile to turn the economy in a promarket direction but this will be possible no earlier than in a dozen or so years.

I do not want to debate this viewpoint in this article since such a discussion would exceed its topical framework. However, it is worth noting that pushing for artificial organizational concentration worsens the already bad organizational structure of the Polish economy and moves it further away from the prospects of marketability (in accordance with the conditions set by skeptics) pushing it into an indefinite future. It is also necessary to be aware of the fact that the negation of market mechanisms and instruments inevitably sentences the economy to command-directive methods and the degeneration associated with them. There is no third road to take.

The Fourth Mistake

And finally the fourth mistake pertains to the indefiniteness of who should make decisions. Many specialists, who primarily represent the science of organization and management, have accumulated a great deal of work on optimal enterprise structures, and on the methods of planning and implementing them. This work represents concepts that are very valuable and very useful in economic practice. However, a characteristic gap--the lack of an answer to the question who should decide about the selection of the most suitable organizational structure for a given enterprise--may be observed in many of the concepts. Should this be decided by an enterprise's agencies on

the basis of its "microeconomic" account or should ministerial officials decide about what is best for an enterprise's economy? This is the key dilemma in the problem matter considered here. Let us return once again to the example of highly developed countries to which the advocates of reorganization from the top refer to so readily. Dynamic processes of changes in the economic structures take place in these countries. As I have already mentioned, processes of deconcentration have been dominant in recent years, although this is the resultant of bidirectional processes (concentration and separation). However, all of these decisions; i.e., the establishment of a new enterprise, division, merging, the buying out of another enterprise, etc. are made by an enterprise on the basis of open economic calculation and with the assumption of financial risk. The right move may bring significant financial benefits, whereas a mistake may even end in bankruptcy. However, what does a functionary [urzednik] risk under our conditions in carrying out reorganization from the top from behind his desk? This question has a purely rhetorical character. In a market economy, structure generating processes proceeding from the bottom are controlled by the state so that in this way it [the state] may prevent monopolistic phenomena and practices. The reverse is true in the Polish economy. Administrative monopolistic processes proceeding from the top, against which enterprises try to defend themselves for fear of losing their independence and self-government, are dominant.

If the Reform Is to Be a Success

If the reform is to be successful, this situation has to be turned around. It is necessary to set in motion on a broad scale structure generating processes from below that would be conducive to demonopolizing, modernizing and making the economy more flexible. What is of primary concern here is to create mechanisms that would promote the creation of new enterprises, the economically justified division or merging of those currently existing, doing away with administrative barriers to the diversification of production, entering new fields, etc. Instead of pushing for concentration [economic], the central administration should protect the public and the economy from monopolistic structures by means of the antimonopoly law.

Such radical reorientation in the ways of thinking and acting will not happen by itself. It is necessary to bring to a conclusion the reform of the economic center. What is of main concern here is the postulate, which has been repeated for years, about the elimination of branch ministries and the ministerial subordination of enterprises. Is it possible that the negative experiences of the Hungarian economy, where the branch ministries left to themselves hindered reform for a dozen or so years, taught us nothing? Must we repeat the same mistakes? After all, it is not by accident that the concepts of consortiums, factories, corporations, and other similar monopolistic creations come into being in branch ministries. The best protection against necessary changes is to try taking the offensive by delighting enterprises with unfortunate reorganizational concepts, thereby forcibly creating a justification for one's own existence.

Council Advised Against Incorporation

Warsaw ZYCIE GOSPODARCZE in Polish No 22, 1 Jun 86 p 2

[Article by Irena Dryll: "Pause for Breath or...a Change of Front?"]

[Excerpts] Despite the existence from 1 April of this year [1986] of the Corporation of Iron and Steel Enterprises [Wspolnota Przedsiębiorstw Żelaza i Stali] the problem of organizational structures in the metallurgical industry remains unsolved. This is not only because from among 52 metallurgical entities several giants did not join the corporation; i.e., the Lenin Steelworks, Bierut Steelworks, Batory Steelworks, Baildon Steelworks, Warsaw Steelworks and several "little guys"--a descriptive term used by people from the branches--but also because the inherent flaws of this creation are so serious that they make it necessary to look for other alternatives.

The necessity of continuing the search for the proper international formula was also discussed in the company of interested persons at the recently held session of the Warsaw Steelworks Workers Council.

Each of the participants at the session received a set of expertise reports prepared at the request of the Workers Council of the Warsaw Steelworks and dealing with the agreement and with the draft plan of the statute of the existing corporation. The council chairman read fragments from and discussed the reports of: Prof Teresa Rabska, chairman of the department of the management of the national economy at the University of Poznan, and Prof Josef Pajestka, director of the PAN [Polish Academy of Sciences] Institute of Economic Sciences. The chairman informed those gathered that the professor is a member of the PZPR Central Committee Commission for Economic Reform and Policies and the Economic Reform Commission. The author of the third expertise report, Dr Marek Dabrowski from the PAN Institute of Economic Sciences, presented his position personally. The reports are comprehensive and widely documented; therefore out of necessity I shall limit myself to presenting several excerpts.

Prof T. Rabska (legal expertise report) notes that the resolutions of the agreement on creating a voluntary association called the "Corporation..." are aimed at restricting the legal position of a state enterprise because they violate its fundamental principles.

--The principle of independence is violated by, among other things, the resolution which specifies that a corporation [wspolnota] represents enterprises before agencies of the state administration and also by the shifting of certain enterprise powers to the association [zrzeszenie] and by the financial dependence on it in many crucial matters as well as according the corporation council resolutions a binding character for all of its members (without the right of separate vote [votum separatum] of an enterprise that is not interested in the resolution or for which the resolution is in conflict with its interests).

--The principle of self-government is violated by the limiting of the powers of enterprise agencies in terms of planning, investments and financial management as well as by the reduction of the possibilities of influencing self-government to shape the directions of enterprise activity.

--The principle of self-financing is violated in particular by the centralization at the corporate level of a significant portion of the funds saved by an enterprise and making it [enterprise] dependent in this respect on the resolutions of the corporation council and the decisions of its chairman.

The gist of the association and its position toward enterprises defined as in the agreement is in conflict with the law on state enterprises. In the opinion of Prof Rabska, this is particularly evident in that first of all, in the provisions of the agreement the goal of the activity of the association has been identified with the goals of the central administration (of the parent agency) and tasks (administrative functions) belonging by right of law to the minister were imposed on the association. Therefore, in practice the association can be treated--as described by Prof Rabska--as an extension of the arm of central administration toward the incorporated enterprises. Secondly, the rights granted to the association, the binding (commanding) forms of the functioning of its agencies, and the financial means "attributed" to the corporation in a permanent manner, indicate that the association is treated as a separate level of managing the national economy to which enterprises will become subordinate.

The defined powers, among other things, of the association managing director who, for example, may exercise control over the financial means and funds of the corporation as well as over the centralized accounts of fund sources in accordance with the directions determined by the corporation council and who also may exercise control over half of metallurgical products of the corporation members, are discordant with and contrary to the intentions of the law on state enterprises. "In some respects," emphasizes Prof Rabska, "he will have a legally stronger position than the minister with regard to enterprise agencies. His decision cannot be revoked."

The individual clauses of the corporation violate not only the law on self-government but also the law on socioeconomic planning and financial management. One may risk stating that if there were an antimonopoly law, there would be deviations from it as well. "In the agreement of the corporation, dangerous monopolistic tendencies appear," states the author of the expertise report. They are expressed in many resolutions which, in particular, pertain to price, cadre and wage policies. They are, in general, reflected in the concept itself of the association, which encompasses--purposefully--the entire branch, which exercises control over a significant portion of its [branch] financial means and which is endowed with broad powers which even a minister would envy.

"Cannot the violation of the law be legally stopped?" asked Jan Nowicki, a council member, during a break in the deliberations.

Dr M. Dabrowski (economic expert's report) pointed out, among other things, the problem of the very broad range of the redistribution of funds between

the corporation members by means of the institution of centralized development, technical-economic progress and foreign-exchange funds. The corporation council may pass a resolution regarding the creation of other centralized funds which have not been provided for in the agreement. Meanwhile, as pointed out in practice such funds in general serve the redistribution of financial means from more to less efficient enterprises and the financing of developmental ventures which do not fulfill the requirement of an economic account "and these," he [Dr M. Dabrowski] added, "are the fundamental sins against the reform."

Such concerns are confirmed in some of the entries of the agreement. As far as monopolistic tendencies are concerned, they are reinforced by the corporation's assumption of compulsory intervention in the area of metallurgical products and the affiliation with it [corporation] of Centrostal. This makes it possible to put pressure on the center for the purpose of obtaining further privileges for its members that are not justified by economic results. The author of the report makes reference to the appropriate clauses of the agreement which directly point to this. He also calls attention to an extremely important issue--responsibility. In his opinion, as opposed to enterprises, the economic responsibility of a corporation for the assumed economic actions and decisions is illusory. The intentions, which can be read into the agreement, are purely declarative.

"Therefore, I cannot recommend to any workers council of any enterprise to join this type of body," stated Dr Dabrowski. "An enterprise that has good economic results can only stand to lose from this whereas one that has problems--will not get rid of them. The method of 'socializing poverty,' restricting independence and self-government, and at the same time diluting economic responsibility has never proved to be the remedy for poor management efficiency anywhere."

Prof J. Pajestka (economic expertise report) called attention to the conflict of direction between the formula of incorporation and the reform. He added that this is undoubtedly not intentional but that actions should be evaluated not in terms of intentions but results. "Incorporation breaks off with the fundamental solution of the reform which is relying on the enterprise as the fundamental unit in which the economic account is conducted and where decisions are related to responsibility." A corporation has the right to allocate funds and to program development without basing itself on any kind of economic account and without guaranteeing responsibility for results. Therefore, the same solutions that did not prove themselves over dozens of years are again being taken up.

"In the agreement," claims the professor, "there is no indication of even the slightest thought being given to the ways of protecting the functioning of responsibility in the bureaucratic apparatus, which can make decisions and without a doubt will be capable of manipulating decisionmaking processes. Organizational solutions must serve efficiency and in this case this is not happening."

The divergence between incorporation and the reform arises--as can be deduced from the expertise report--from a different look at the factors of economic progress. The reform is geared toward enterprise, initiative, cadre responsibility and an extensive enterprise aktiv. However, in the documents of the corporation the idea that centralized management will enable the "optimum use of production factors" is dominant. That is why, according to the professor, the goals of the corporation are formulated in a way that ignores the role of initiatives proceeding from below and social responsibility. He expands on this "philosophy of divergence"--if it can be described as such--in the following manner: the driving forces behind socialism cannot depend only on state activity and state pressure. The state apparatus has exhausted to a large extent its potential of propelling progress. That is why the reform stresses the importance of the role of enterprises seeing in their independence, self-government and self-financing the primary factors that boost progress.

However, as far as the issue of the possible joining of a corporation is concerned, the conclusion is as follows: with its existence and activity, the position of a metallurgical enterprise, which finds itself outside of this strong structure may in many respects be tactically unfavorable. However, the negative consequences of not joining a corporation may be, according to the professor, temporary and not particularly severe.

At the same time, the professor cautions that the critical attitude toward the solutions of the corporation, which contradict the reform and threaten strategic planning and central management geared toward national public interests with paralysis, cannot lead to negating the need for industrial integration and ceasing to search for the most suitable forms of this integration; i.e., within the framework of the reform assumptions and not contrary to them.

Enclosed within this framework is the draft plan of creating Polska Stal [Polish Steel]--a voluntary association of metallurgical enterprises, whose concept in terms of the law is similar to the institution of civil law. This concept arose from the initiative of Warsaw Steelworks and Batory Steelworks and in mid-January of this year [1986], it was presented to the minister of metallurgy. This occurred before the first meeting of enterprises with regard to creating a corporation which was held at Katowice Steelworks on 27 January of this year and which ended with the signing of access to the corporation by 15 enterprises. Currently, 30 some units have come under this "umbrella" of their own free will. (The draft plan of the agreement of the Polska Stal association prepared by the commission made up of Andrzej Milkowski, Stanislaw Pirog [illegible] and Docent Hubert Izdebski, was presented in ZYCIE GOSPODARCZE No 5/86.

"Where do we stand?" was the question asked of A. Milkowski, who chaired the steelworks council during the past two terms and who was invited to the meeting in order to inform the council of what is happening with Polska Stal. It turns out that nothing is happening. The correspondence between the steelworks council and the minister broke off on 11 February

of this year. The meeting of the interested steelworks, in which in accordance with the made announcement, the representative of the ministry was to take part, never came about. The council was also not informed about the results of the substantive analysis of the draft plan of the Polska Stal association. In a message of 22 January [1986], the minister informed that this draft plan was submitted for such analysis to the ministry. And this is a shame because regardless of its good points and mistakes, it is worthy of attention. It points out that we can try to work together not only in a corporation.

This is how it [draft plan] was evaluated at the meeting of the problem solving commissions of the workers councils of the "Batory," "Beirut" and "Warszawa" steelworks in which the representatives of the Szczecin Steelworks also participated as an observer. (The meeting was held on 25 April [1986] in the Warszawa Steelworks.) The common stand on the issue of creating nonplant structures in the metallurgical industry was discussed. This position became the basis for the resolution passed at the discussed meeting of the steelworks council.

In the resolution, the council upholds its negative assessment of the agreement and draft plan of the corporation (the first resolution in this regard of August 1985 pertained to the previous version of incorporation assessed at that time as discordant with the binding law and order and assumptions of the reform. It follows from the expertise reports that not much has changed). The resolution also maintains a positive evaluation of the draft plan of the Polska Stal association and expresses the opinion that it is in the interest of the steelworks, of the steelworks branch and of the national economy to create a nonplant structure on the principles described in this draft plan. The council resolution favors the continuation of activity aimed at creating such a structure. It declares its unanimous approval of it.

It is possible that the director foresaw this and needs to pause for breath or perhaps has succumbed to the arguments of experts and has changed his front--for which he deserves praise, and again, it is possible that he wants to see what the corporation will do and for whom. In talking to me, he does not lay his cards on the table because the corporation game is a great unknown, in which--as demonstrated by the number of members--many are counting on winning.

"The corporation is also implementing the three S' formula," stated chairman Pawlowski, "as being old tried and true methods (Stare, Sprawdzone Sposoby)." Therefore, the game continues on. This a game where not only the structures of the metallurgical industry come into play but also the concepts of management and development as well as the three S' formula which can mean what it should: reform or perhaps the old tried and true methods. Within this framework, there is open talk at various levels about much higher stakes than those that I have mentioned--about "transfering power." Meanwhile, in accordance with the law in force, these powers cannot be taken away from an enterprise even if it were to "relinquish" them "on its own" and "transfer" them. In the hope of winning, this small detail does not count at all.

DECREE ON MINISTRY OF MINES, PETROLEUM, GEOLOGY

Bucharest BULETINUL OFICIAL in Romanian Part I No 39, 28 Jun 86 pp 1-5

[Council of State Decree 227: "Decree of the Council of State on Organization and Operation of the Ministry of Mines, Petroleum, and Geology"]

[Text] Decree of the Council of State on Organization and Operation of the Ministry of Mines, Petroleum, and Geology

The Council of State of the Socialist Republic of Romania hereby decrees the following.

CHAPTER I

General Provisions

Article 1. The Ministry of Mines, Petroleum, and Geology is responsible for implementation of the policy of the party and state in the area of extraction and preparation of coal, ferrous and non-ferrous minerals, non-metallic substances, and salt, extraction and transportation of petroleum, extraction, transportation, and distribution of natural gas, and geology.

Article 2. The Ministry of Mines, Petroleum, and Geology manages, directs, and supervises the activities of the units subordinate to it and bears full responsibility as plan administrator for fulfillment of the plan in its area of activity.

Article 3. The Ministry of Mines, Petroleum, and Geology acts as the central coordinating authority for the activities under its jurisdiction for all socialist units subordinate to central or local state authorities.

Article 4. The Ministry of Mines, Petroleum, and Geology ensures implementation of the laws, decrees, and resolutions of the Council of Ministers in its activities.

Article 5. The Ministry of Mines, Petroleum, and Geology cooperates with the other ministries and central authorities and with local authorities for the purpose of performing the functions assigned to it.

CHAPTER II

Functions

SECTION I

General Functions

Article 7. The Ministry of Mines, Petroleum, and Geology is responsible, within the framework of the unified national plan of economic and social development, for increase in the production of coal, ores, non-metallic substances, petroleum, and natural gas and for discovery of reserves of useful mineral substances needed to replace reserves already exploited and for ongoing development of mineral raw materials resources, in accordance with the provisions of long-term programs. For this purpose:

(a) It prepares development studies and programs, taking into account world-wide trends in technical progress, as well as the prospects for development of the production of coal, ferrous and non-ferrous ores, petroleum and natural gas, and other useful mineral substances on the domestic and foreign markets.

(b) It prepares draft annual and long-term plans and special programs for individual products and activities, on the basis of original studies and recommendations by subordinate units.

(c) It takes measures to ensure rational working of deposits of solid useful mineral substances, application of technologies for extraction and preparation of these substances under conditions of high productivity and modernization of production processes, full utilization of the entire number available of producing petroleum and gas wells, application and extension of processes for increasing the factor of petroleum recovery from deposits, as well as for adaptation of extraction technologies as a function of the specific conditions of each deposit.

(d) It coordinates and directs geological activities over the entire territory of the country, with the aim of discovering and increasing the reserves of useful mineral substances and of ensuring utilization of all surface and subsurface mineral assets, so that the extent of provision of extracted reserves will be maintained and will increase.

(e) It supervises and is responsible for the protection and rational working of deposits of useful mineral substances, both on the surface and underground, and for execution and completion of geological projects.

(f) It is responsible for preparation and application of the standard rates of consumption of raw materials, intermediate materials, and fuels; takes measures to effect ongoing reduction of material, energy, and manpower consumption, and ensures recovery and utilization of reusable material and energy resources; monitors and takes measures for rational use of natural gas consumed in all sectors of the national economy.

(g) It organizes the preparation of studies relating to the requirements for raw materials, intermediate materials, and equipment for subordinate

units; ensures balancing of the raw materials, intermediate materials, and product budgets under its jurisdiction; draws up materials budgets for the products for which it is the coordinating authority.

(h) It ensures ongoing improvement in the quality characteristics of the products and activities under its jurisdiction, with the aim of meeting the needs of the national economy and increasing their competitiveness on the international market; is responsible for ensuring rational and safe use of plant and equipment, and for compliance with technical standards relating to maintenance and repair of such plant and equipment.

Article 8. The Ministry of Mines, Petroleum, and Geology organizes and is responsible for constant elevation of the technical and quality level of products and activities under its jurisdiction, for which purpose:

(a) It coordinates and directs the scientific research, technological engineering, and planning and design activities of its subordinate units.

(b) It monitors the results of scientific research and is responsible for their utilization, ensuring the introduction of technical, scientific, and economic progress in its subordinate and coordinated units.

(c) It directs invention and innovation activities and concerns itself with dissemination of the most important accomplishments.

(d) It organizes standardization activities in its area of activity and makes proposals regarding type norms and standards.

(e) It organizes the documentary information activities specific to its sphere of activities and ensures information of subordinate units regarding trends in technical progress on the national and international scale.

(f) It coordinates and monitors metrology activities in subordinate units.

Article 9. The Ministry of Mines, Petroleum, and Geology organizes and coordinates the activities of foreign trade and economic, technical, and scientific cooperation with other ministries and central authorities in Romania and with partners abroad, in its sphere of activity. For this purpose:

-- It draws up its export plan, makes proposals regarding the volume, structure, and orientation of long-term trade and is responsible for performing the export tasks assigned to it and for tasks in the area of international economic cooperation.

-- It ensures and is responsible for application of international conventions and agreements relating to the activities of the ministry; supervises and ensures fulfillment of the obligations deriving therefrom.

SECTION 2

Functions in Individual Areas of Activity

Article 10. The Ministry of Mines, Petroleum, and Geology has the following principal functions in its areas of activity:

A. In the area of extraction and preparation of coal, ores, and non-metallic substances

(a) It is responsible for achievement of the planned output of coal, ferrous and non-ferrous ores, and non-metallic substances, and for complete use of mining production facilities.

(b) It takes measures and is responsible for rational working of deposits of solid mineral substances and for application of mineral extraction and preparation technologies under conditions of high productivity and modernization of production processes.

(c) It is responsible for execution of the projects and for increase in the reserves of solid useful mineral substances specified in its own program.

(d) It establishes measures and monitors creation of conditions for conduct safety of production processes in mines, quarries, and preparation plants in full safety.

(e) It takes measures to ensure execution of the mine opening and preparation operations specified in the plan and in the general exploitation programs.

(f) It monitors maintenance of reserves of useful mineral substances for ensuring the normal level of operation.

B. In the area of petroleum and gas extraction

(a) It is responsible for ensuring the planned output of petroleum and natural gas, for immediate exploitation of newly discovered deposits of petroleum and gas, for full use of the entire number of producing wells, and for accomplishment of tasks relating to drilling and operating very deep wells and offshore wells.

(b) It takes measures and is responsible for rational exploitation of petroleum and gas deposits and for adaptation of extraction activities as a function of new deposit conditions.

(c) It is responsible for execution of its own program of geological projects and for accomplishing tasks conducted to increase petroleum and gas reserves.

(d) It monitors application and extension of processes for increasing the factor of petroleum recovery from deposits, in accordance with the approved exploitation projects and programs.

(e) It ensures application of measures relating to prevention of blow-outs and accidents in wells during drilling and in petroleum and gas production.

C. In the area of geological activities

(a) It is responsible for surface and subsurface geological research, for discovery of all useful mineral substances, and for determination of the reserves of useful mineral substances and establishment of the conditions of utilization.

(b) It takes measures and is responsible for carrying out useful the mineral substance reserve plan established in accordance with the provisions of the unified national plan of economic and social development.

(c) It prepares economic geological studies and summaries relating to the results of geological projects and long-term increase in reserves of useful mineral substances; periodically updates geological reserve predictions.

(d) It analyzes and reviews the plan proposals for geological projects of ministries, other central state administrative authorities, or executive committees of people's councils of counties and of the city of Bucharest.

(e) It establishes mining areas, as well as hydrogeological protection areas, for mineral water deposits, therapeutic springs, and accumulations of therapeutic mud.

(f) It reviews geological and technical-economic documentation relating to the orientation, suitability, and execution of geological projects, technical and economic documentation relating to the opening or development of the working of deposits of solid useful mineral substances and to commencement of the drawing of liquid useful mineral substances, including subsurface water, and documentation relating to abandonment of reference wells, prospecting, and exploration for liquid useful mineral substances, discovery of reserves of useful mineral substances, partial or total closing of mines and quarries, and establishment of operating areas and long-term shaft pillars.

(g) It organizes the geological fund of the Socialist Republic of Romania and maintains records of the results of geological projects.

(h) It prepares and publishes official maps of all classifications specific to geological activities.

D. In the area of official confirmation of geological reserves

Together with the State Planning Committee and the Ministry of Equipment and Material Supply and Control of Fixed Asset Management, it confirms reserves of useful mineral substances classified according to the degree of geological knowledge and exploitation potential and monitors the evolution of the national stock of useful mineral substance reserves. For this purpose:

(a) It establishes, in the confirmation document, measures and recommendations for ensuring a suitable degree of knowledge of geological reserves

and of the useful mineral content of such reserves and for creation of conditions for comprehensive utilization of these reserves.

The document confirming reserves of useful mineral substances represents the instrument on the basis of which documentation for investment project approval is substantiated.

(b) It analyzes reserve evaluation documentation and other documentation forwarded by ministries, other central state administrative authorities, and the executive committees of the people's councils of counties and of the city of Bucharest, for the purpose of confirming reserves.

(c) It organizes the maintenance of central and local records of useful mineral substance reserves, which it forwards to the State Planning Committee, the Ministry of Equipment and Material Supply and Control of Fixed Asset Management, and the executive committees of the people's councils of counties and of the city of Bucharest.

(d) Together with the ministries, other central state administrative authorities, and the executive committees of the people's councils of counties and of the city of Bucharest concerned, it establishes annual programs concerning deposits for which reserve evaluation documentation is to be prepared, for the purpose of official confirmation of such deposits and exploitation of reserves of useful mineral substances.

(e) Following consultation with the ministries and other central state administrative authorities concerned, it issues mandatory standards relating to determination, classification, evaluation, and maintenance of records of reserves of useful mineral substances, as well as to the content of documentation on mineral reserves.

(f) It organizes and periodically updates reserves of each useful mineral substance, by confirmation on the basis of reserve evaluation documentation.

E. In the area of geological mining supervision

It supervises protection and rational working of useful mineral substance deposits, both on and below the surface, as well as the execution of geological work. For this purpose:

(a) It verifies the execution of geological and extraction work in accordance with decisions and, respectively, the approved technical and economic documentation and with the annual extraction programs.

(b) It monitors the implementation of measures for increasing the factor of recovery from deposits of hydrocarbons, in accordance with the provisions of the exploitation projects.

(c) It supervises to ensure rational exploitation of deposits of mineral water, therapeutic springs, accumulation of therapeutic mud, and mofettes, as provided by law.

(d) It monitors the completion of hydrogeological projects for drainage of aquiferous formations in deposits of solid useful mineral substances and

for hydrogeologic drilling for aquiferous strata of drinking, mineral, and industrial water at great depths.

(e) It monitors application of the geological research methodology specified in the projects approved for reaching the objectives set, and also the measures and recommendations contained in the reserve confirmation documents.

(f) It monitors the collection, processing, and preservation of geological samples.

(g) It monitors the application of measures connected with prevention of blow-outs.

(h) It inspects to make certain that, during production tests with geological research wells for hydrocarbons, all the geological information obtained as a result of the drillings performed, as well as the data and results obtained in production tests with other structural wells, will be taken into account in inventory of collector formations, so that conclusive data concerning the content of strata will be obtained.

(i) It prepares draft standards relating to protection and rational working of deposits of useful mineral substances.

(j) It approves the annual programs for mining of solid mineral substances and the documentation relating to establishment of long-term shaft pillars, and verifies proper application of the provisions of the approval documents.

(k) It approves documentation relating to the opening of mines and quarries of a temporary nature and documentation relating to suspension of mining operations in view of the situation as regards reserves of the pertinent solid useful mineral substances.

SECTION 3

Other Functions

Article 11. The Ministry of Mines, Petroleum, and Geology also performs the following functions:

(a) Within the limits of its authority, it approves technical and economic documentation relating to investment projects; organizes, directs, and monitors the activities of planning, design, and execution of investment projects and takes measures to ensure observance of deadlines for project activation; approves standards and uniform estimated costs for geological and drilling operations;

(b) It establishes the construction characteristics of mine opening operations and approves nationally applicable standard estimates for such operations.

(c) It determines the circulating capital requirements for its subordinate units, in accordance with the standards set by law.

(d) It analyzes the periodic financial statements and reports of its subordinate units and draws up such statements and reports relating to the activities of the ministry as a whole.

(e) It draws up and executes, pursuant to law, the income and expenditure budget for the central administration of the ministry and its subordinate budgetary units.

(f) It performs, pursuant to law, the functions assigned to it relating to prices and rates in its area of activity.

(g) It establishes, pursuant to law, measures relating to labor safety for prevention of labor accidents and vocational diseases in its subordinate units.

(h) It directs and coordinates the activity of organizing production and labor in its subordinate units; organizes the activity of preparation, application, and monitoring of the implementation of labor standards for all categories of personnel in its area of activity; organizes the preparation of unified economy-wide labor standards operations for which it is determined to be the initiator, approves the specific rating methodologies and unified standards for its sector, subsector, and other activities, and monitors their application; promotes the introduction of modern methods and techniques in organization of production and management of economic units.

(i) It is responsible for application of party and state policy in personnel and wage activities. For this purpose:

-- It establishes uniform criteria for selection, elementary and advanced training, and promotion of personnel in its sector and subsectors of activity and monitors the application of these criteria.

-- It determines long-term personnel needs and takes measures for organization of the elementary and advanced training of personnel, as provided by law.

-- It hires personnel for its own administrative apparatus; appoints the management officers of centrals, integrated enterprise groups, and directly subordinate units, as provided by law.

-- It is responsible for tasks assigned to it in connection with integration of education with production and scientific research, coordination of the activities of dually subordinate educational units, in the area of preparation and fulfillment of annual research, development, and microproduction plans.

-- It ensures uniform application of the wage standards applicable to flatwork and piecework in its areas of activity.

Article 12. The Ministry of Mines, Petroleum, and Geology is also responsible for the performance of other functions provided by law.

Article 13. The Ministry of Mines, Petroleum, and Geology may request the documentation, data, and information required for the performance of its

functions from the ministries, other central state administrative authorities and the executive committees of the people's councils of counties and of the city of Bucharest, and from the units subordinate thereto.

CHAPTER III

Organization and Operation

Article 14. The Ministry of Mines, Petroleum, and Geology is managed by a management council which makes decisions in general matters relating to the activities of the ministry. Collective management of the routine activities of the ministry and assurance of implementation of the decisions of the management council are effected through the executive office of the council.

The management council of the ministry and the executive office of this council, which are deliberative bodies, are organized and operate in accordance with Decree No 76/1973 on management of the ministries and other central state administrative authorities on the basis of the collective management principle.

Article 15. The minister informs the management council of the ministry of the principal problems resolved during the period between council meetings.

Article 16. The management element of the Ministry of Mines, Petroleum, and Geology includes a minister, a first deputy minister, and five deputy ministers.

The first deputy minister and deputy ministers are appointed by presidential decree, and their duties are established by the management council of the ministry.

Article 17. The minister represents the ministry in relations with other authorities and organizations in the country and in international relations.

Article 18. A technical and economic council is established and operates as a working body under the collective management organs of the Ministry of Mines, Petroleum, and Geology, in accordance with Decree No 78/1973.

Article 19. The following units are established and operate within the Ministry of Mines, Petroleum, and Geology, on the basis of the principle of worker self-management and autonomous economic and financial management:

- (a) The Coal Department-Central.
- (b) The Metallic and Non-Metallic Ore Department-Central.
- (c) The Petroleum and Gas Department-Central.
- (d) The Geological Prospecting and Exploration Department-Central.

Article 20. the department-centrals specified in Article 19 are plan administrators having targets listed separately in the unified national plan

of economic and social development, as components of the plan of the Ministry of Mines, Petroleum, and Geology. They are directly responsible for reaching the targets assigned in the unified national plan of economic and social development.

The department-centrals are legal entities and perform the functions assigned to centrals and departments pursuant to law.

Article 21. The department-centrals are directed by a deputy minister, who also acts as the general director of the department-central.

Article 22. The Ministry of Mines, Petroleum, and Geology has the following divisions in its organizational structure:

- (a) The office of planning, finance, supply, marketing, transportation, and foreign trade.
- (b) The office of investment, technology, and mechanical and power engineering.
- (c) The office of review and official confirmation of geological reserves.
- (d) The office of organization, auditing, and personnel training and wages.
- (e) The State Geological Mining Inspectorate.

Article 23. The organizational structure of the individual operating divisions and the maximum number of personnel in the administrative apparatus of the ministry are specified in Annexes 1 and 2 (which are forwarded to the institutions concerned).

Article 24. The functions of the department-centrals and of the other divisions in the structure of the Ministry of Mines, Petroleum, and Geology are established, pursuant to law, by the regulation governing organization and operation approved by the management council of the ministry.

Article 25. The Ministry of Mines, Petroleum, and Geology has the units specified in Annex 3 directly subordinate to it.

Article 26. The subordination of the units specified in Annex 4 is to be changed.

CHAPTER IV

Final Provisions

Article 27. The labor personnel assigned to the Ministry of Mines, Petroleum, and Geology, and also personnel transferred to other units, as a result of establishment of the Ministry of Mines, Petroleum, and Geology, are considered to be transferred in the interests of the service.

Article 28. Personnel transferred in the interests of the service or assigned in the same unit to positions at lower wage levels, and personnel becoming surplus as a result of application of the provisions of this decree,

are entitled to the benefits provided in Article 21 of Decree No 162/1973 on establishment of uniform structural standards for economic units.

Article 29. The Ministry of Mines, Petroleum, and Geology will be equipped with three passenger automobiles for its own administrative apparatus and with six passenger automobiles and nine general-purpose transportation automobiles for the department-centrals in its structure. The annexes to Decree No 277/1979 on measures for rationalization of fuel consumption and economical management of the motor vehicle fleet will be correspondingly implemented.

Article 30. The provisions of Decree No 367/1980 on measures for rational utilization of personnel in socialist units, the applicability of which was extended by Decree No 420/1985, do not apply to positions in the administrative apparatus of the Ministry of Mines, Petroleum, and Geology or to those in units to and from which personnel are transferred as a result of the provisions of this decree.

Article 31. The operating expenses of the department-centrals will be approved by the management council of the Ministry of Mines, Petroleum, and Geology and will be paid out of the production cost amounts of subordinate economic units.

Article 32. The State Planning Committee, the Ministry of Finance, and The Ministry of Labor will, on the basis of proposals by the Ministry of Mines, Petroleum, and Geology, will submit for approval any changes deriving from application of Decree No 220/1986 on establishment of the Ministry of Mines, Petroleum, and Geology and this decree in the unified national plan of economic and social development and in the volume and structure of the state budget for 1986, and also in Annex 22 to Decree No 161/1986 for approval of specific criteria relating to organization and flat-rate and piecework remuneration of labor in individual sectors and areas of activity.

Article 33. The provisions of laws, decrees, and other regulatory acts relating to the Ministry of Mines, the Ministry of Petroleum, and the Ministry of Geology will be applied correspondingly to the Ministry of Mines, Petroleum, and Geology as organized in conformity to this decree and in keeping with the purpose of its activity.

Article 34. Annexes 1-4 form an integral part of this decree.

Article 35. Decree No 269/1981 on organization and operation of the Ministry of Mines, Decree No 270/1981 on organization and operation of the Ministry of Petroleum, and Decree No 271/1981 on organization and operation of the Ministry of Geology are hereby rescinded.

Nicolae Ceausescu
President of the
Socialist Republic
of Romania

Bucharest, 28 June 1986

No 227

6115

CSO: 2700/223

PAPER VIEWS ROLE OF FOREIGN TRADE IN ECONOMY

Bucharest REVISTA ECONOMICA in Romanian No 16, 18 Apr 86; No 17, 25 Apr 86

[Article by Marian Chirila: "Foreign Trade in the Strategy for the Economic Development of Romania"]

[18 Apr 86 pp 3-4]

[Text] In a world in which the contortions and upheavals on an economic, social, ecological, and moral plane favor new outbreaks of the historical pessimism, Marxism reinstates the legitimacy of progress, demonstrating that the fulfillment of the human condition and the unleashing of its energies are subordinate to the revolutionary transformation of the production relations and to the vigorous implementation of the national models of development along paths conditioned by the concrete historical circumstances, the traditions of social integration, and styles and ways of life. In this way, the strong connection, the relationship of interdependence that is formed between the scientific concept of social progress and that of mode of production is achieved.

Insofar as the national models of development express the quantitative dimension of an economic structure regarded as desirable, their quality depends on the degree to which they reflect the country's characteristic conditions and the agreement with the requirements for the evolution of social production in the given stage. The above-mentioned conditions are determined by relatively constant factors, with a decisive role in the configuration of the national economic structure (of an integral or selective type), and, respectively, by variable factors, characterizing the quality of the process of expanded reproduction and its type. As the national economic structures are now no longer formed predominantly in a spontaneous way, by virtue of the intervention of the conscious factor in molding them, but especially by virtue of the objective necessity of participating in the international division of labor, the accent of the concerns falls on securing the optimal utilization of the role of foreign economic exchanges, as an endogenous factor in the balanced and efficient development of the country. If to export means to innovate, likewise innovation, dependent on the relatively constant national factors and the variable national factors, requires--through the achievement of basic industrialization and by virtue of it--the concentration of the efforts, the better utilization of one's own potential, and the accentuation of the mobility of

the structure of the production factors--including under the impact of the world economic circuit.

The concern for better utilization of material and human resources through economic development and active participation in the world economic circuit represents a constant in our country's foreign trade strategy. In the spirit of peaceful coexistence, Romania develops its international economic relations with all states of the world, regardless of their social regime. This does not constitute a circumstantial orientation but corresponds to the realities of the contemporary world--the existence of a greater and greater interdependence among the economies of the sovereign states. Participation in the international division of labor, under conditions of full equality and fairness, constitutes a way to speed up economic growth, so that under the impact of this necessity international economic relations have the tendency to become more and more developed and diversified.

Referring to the directions of economic and social development of our country in the 1986-1990 5-year period, President Nicolae Ceausescu stated: "Starting from the important role that economic exchanges and cooperation in production have in our homeland's economic and social development, it is necessary for us to take every step to secure the growth of international exchanges by 41-45 percent. At the same time, it will be necessary for us to act regarding the raising of the quality and competitiveness of Romanian products on the international market and regarding Romania's more and more active participation in the international division of labor as an important factor in collaboration and peace in the world."

Foreign Trade in Our Own Model of Economic Development

Romania belongs to the category of countries in which the transition to the construction of socialism occurred against the background of the economic backwardness inherited from the bourgeois-landlord regime, in contrast with the prospects foreseen by Marx and Engels in connection with the conditions for forging the new order. This fact also imparted to the objective of attaining a higher model of civilization, possessing an advanced base of its own for economic and social development, the additional task of eliminating the country's relative underdevelopment. The above-mentioned process occurred and is occurring under the impact of the dialectic of social development, under given historical conditions and conditioned by the very evolution of the whole of human society.

The rebuilding of the economy destroyed by the war and the starting of industrialization imposed on Romania the adoption of a development strategy suited to the country's dimensions, the natural, capital, and labor resources, and the requirements for securing and consolidating national independence. This strategy devised by the Romanian Communist Party springs from the scientific view on the primordial role of our own efforts, dictating the maintenance, in each stage, of a balance between the amount of resources needed (foreign and domestic) and the faster development of the economy, for the purpose of closing the gaps while keeping unchanged the autonomy of the national decisions. The Ninth RCP Congress constitutes an important moment in the evolution of

foreign trade. In the preceding 15 years (1950-1965) the volume of our foreign trade grew 4.8-fold, but in the next 15-year period (1966-1981) it grew more than 8.5-fold.

Stressing the importance of international economic relations, the party's secretary general, Comrade Nicolae Ceausescu, stated: "Without actively involving ourselves in the world division of labor, without promoting a wide exchange of material, scientific and technical, and cultural values with the other peoples, we cannot secure the forging of an advanced society--as the socialist and communist society should be." Acting in this regard, Romania has continually promoted a wide-open policy in the sphere of economic relations with all states of the world, resorting to modern forms of cooperation in production and marketing on the basis of stable, long-term agreements and understandings. The successes obtained in modernizing the economic structure have been reflected in the improvement of the exchange ratio in foreign trade and in the growth of the efficiency of exports.

These results have permitted the year-to-year growth of the contribution of the balance of trade to balancing the balance of foreign payments. Thus, in the 1981-1985 5-year period, the surplus obtained in the balance of trade was \$300 million in 1981, \$1.8 billion in 1982, \$2.4 billion in 1983, \$3.1 billion in 1984, and \$2.5 billion in 1985.

Table: Comparisons Between the Growth of Foreign Trade and Other Indicators of Economic Development

Indicator	1950	1965	1975	1984
National product	100	414	10-fold	17-fold
National income	100	413	10-fold	17-fold
Volume of investments	100	748	22-fold	32-fold
Industrial production	100	640	21-fold	38-fold
Volume of foreign trade	100	478	19-fold	39-fold

Source: "Anuarul statistic al R.S. Romania, 1985" [1985 Statistical Yearbook of the Socialist Republic of Romania].

The accentuation of intensive growth, expressed in the passing of the growth of investments by the growth of production and in the passing of the rate of growth of industrial production by the growth of the volume of foreign trade, is characteristic of Romania's economic development in the last decade. Such correlations point out the economy's competitive capacity at present and the firmer and firmer orientation of industrial development toward fields with better utilization of material and human resources.

The elements of this strategy included, first, high and rising rates of accumulation and investment, as a basis for generating maximum growth in production and, in consequence, for continually and steadily raising the population's standard of living. Second, the effort was concentrated mainly on creating a sound and broad industrial base, capable of furnishing both means of production and consumer goods. The industrialization policy was centered on creating heavy industry capable of permitting the outfitting and modernization

of the production potential in the other sectors of the economy, the incorporation of technical progress, and the achievement of a highly diversified industrial output. In the last 2 decades, the priority development of the technologically advanced processing branches, particularly machine building, chemistry, and metallurgy, has been pursued. Third, action was taken to utilize all national natural resources and to develop power generation, so as to reduce the dependence on imports and, in addition, as the case may be, to increase the reserves for exportation.

Fourth, agriculture's reorganization on socialist bases and its modernization had the role of supplying raw materials to the branches that industrialize them and means of subsistence to the population, in step with the natural increase and with the requirements for raising the standard of living, and, at the same time, of providing reserves for exportation. Fifth, the development of human resources pursued their full utilization, the raising of the level of specialized training, and the meeting of the needs according to branches and regions, in accordance with the requirements for the modernization and diversification of the economy and for the balanced participation of all areas of the country and all categories of the population in economic life.

The Diversification and Modernization of the Economy, at the Basis of the Development of International Economic Relations

The ways of implementing the Romanian development strategy combined the instrument of central planning with social control over society's entire activity, under the conditions of mobilizing the working people in production and expanding the framework for direct participation by the masses in political, social, and economic life. The performances attest to definite and prestigious successes in the country's multilateral development and in the economy's diversification and modernization, with clearly favorable effects in strengthening the potential and substantially raising the general level of progress.

The data that show that, from 1950 to 1979, the expenditures for investments rose about 32-fold and, in this framework, those for equipment rose more than 57-fold are indicative of the huge construction effort, which led to essential changes in the process of social reproduction. The purchase of equipment in the country rose approximately 80-fold, so that its percentage in the total means of production rose from 14.6 percent in 1950 to 36.7 percent in 1979. Romania, which imported over nine-tenths of the necessary machines, equipment, and apparatus before World War II, covers from its national production nearly 90 percent of the investment program. Likewise, in agriculture, respectively [as published], it evolved from 0.16:1 in 1950 to 0.33:1 in 1965 and to 1.2:1 in 1980, and that between the percentages of industry and agriculture in the production of national income rose from 0.80:1 in 1938 and 1.5:1 in 1950 to 1.6:1 in 1965 and 4.1:1 in 1980. The research on the changes occurring in Romania's macroeconomic structure in the last 3 decades points out the tendency of the structure of national income to converge with that of the employed population, in each sphere of production, toward a level of equilibrium.

From the viewpoint of economic efficiency, the correlation of maximum generality between the increases in national income and national product shows close

rates (except in the 1955-1960 and 1970-1975 periods, when the latter indicator had a more marked rise). The coefficient of passage of the rate by national income [as published] again became greater than one in the 1976-1980 5-year period, it having the tendency to rise in the middle of the current decade. The big reserves in this regard are confirmed by the still high percentage of material expenditures in the national product and by their growth, continually more marked than the above-mentioned indicators, in contrast with the phenomena in the developed countries. The figures show that in our national economy the rise in the degree of technical equipping of labor has represented the predominant factor in the growth of labor productivity.

The constant exceeding of the rate of growth of group B in industry by group A indicates the mainly quantitative preponderance of the effects of the technical progress that accompanies any industrialization process. Technical progress has enhanced considerably, but with varying intensities, the results of the action of the assets and work force on growth in production. At the start of the current decade, the process of basic industrialization was completed, roughly speaking, with big gaps being closed on the plane of the economic structures, the level of efficiency, and the standard of living. Romania now presents the picture of an industrial-agrarian country, with strong, modern industry and socialist agriculture in full swing, within the framework of which expanded reproduction is achieved as a single whole, in conformity with the independent economic policy of utilizing the national potential through our own efforts and through international cooperation.

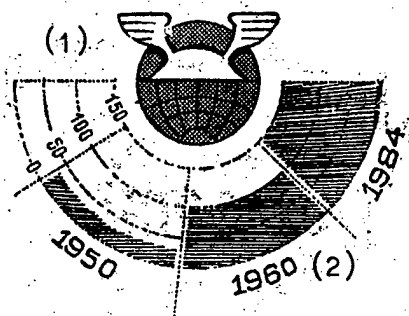


Figure: The Growth of Romania's Commercial and Economic-Cooperation Relations in the 1950-1984 Period

Key: 1. Number of countries 2. Years

In this context, foreign trade's place is determined, as in the case of other countries, by the domestic and foreign economic conditions, by the objectives of the development policy, and by the set of rules and institutional means that define the national economic system. The peculiarity for Romania is that, in the absence of abundant reserves of capital or consistent sources of invisible revenue, the exportation of goods constitutes the decisive source for obtaining the flow of foreign financial resources needed for development. The strategy of constant economic and social progress devised by the RCP, with original, profoundly innovative contributions by Comrade Nicolae Ceausescu,

included exchanges with foreign countries as an element of growth, an idea verified by the realities of the world. Romania's open economic development acquired meaning and consistency through the upsurge in the production forces and the innovative structural transformations, which were materialized in the diversification of the branches, the growth of the technical and qualitative level of products, and the reduction of the socially necessary expenditures of national labor.

On this basis, foreign trade's contribution to the value of national income rose continually, from about 12 percent in 1960 to approximately 25 percent in 1975 and more than 30 percent in 1981 (the exact level differs according to the consideration of the sole commercial rate of exchange introduced in 1980 and, respectively, according to the taking of the material national income or the final national product into calculation). The same sources illustrate the expansion of Romania's percentage in world trade from 0.36 percent in 1950 to 0.6 percent in 1975 and 1980. The growth in the degree of participation by our country in the international division of labor can also be expressed by the growth in the volume of foreign trade per capita, an indicator that evolved from \$28 in 1950 to \$504 in 1975 and \$1,000 in 1980, registering a rise of more than sevenfold from 1965 to 1981. The same as with the trends on a world level in the postwar period, Romania's foreign trade has continually exceeded in average rate the increases in national income and, in the last decade, the growth in industrial production, but with much closer correlations appearing for both indices in the 1981-1985 5-year period, due to the big reduction in imports. The fact that over 20 percent of the industrial production was exported in 1974, with this figure going in an upward direction according to the data on its structure according to groups of goods, is indicative of the degree of participation in the world economic circuit. A synthetic expression of our country's integration into the world economy, the matrix multiplier for foreign trade, calculated for 1971, indicates that about one-sixth of domestic consumption depended on foreign exchanges in their entirety, under the conditions in which these exchanges exhibited relatively wide diversification as to geographic area, having a degree of concentration of 30.9 percent, but a higher one for exportation (33.2 percent).

The above figures, which measure foreign trade's contribution to the development of production and, in consequence, the level of involvement by Romania in the world economy, confirm the advantages of the constant orientation toward openness of the national economy. This is in accordance with the consistent direction evident on a world level in the postwar period--except in the first 2 years of the current decade--of growth in the level of national product of the world's states drawn into the circuit of foreign exchanges, under the impact of objective reasons, among which the unprecedented rate of scientific and technical progress and the worsening of the distortions existing in the distribution of the other production factors stand out. The bigger role of the external factors in the country's economic and social development is, in essence, also the result of our own efforts, since it points out the change in the concrete form of a part of national labor, through the channels of international trade, and confers different dimensions and a different configuration on the process of expanded reproduction. Accompanying the intense process of industrialization and of delineation of the national economic complex, defined

by Comrade Nicolae Ceausescu through the criteria for forging the socialist society, foreign trade has been and is really for Romania trade in the service of the country's development. At the same time, foreign trade has asserted itself as a factor, obviously derived, in the structural changes in the economy, it being affected by the growth of the social need and the manifestation of the economic interests in society for satisfying the needs dictated by socialism's laws of motion, it being dependent on the volume and quality of resources and impelled by the requirements for scientific and technical progress. Foreign economic relations have also shown an impact of their own on the changes occurring in the national economy's configuration, distinctly influencing each of the above-mentioned factors or their interaction, which materializes the contribution of the structural forces to regulating the system.

[25 Apr 86 pp 6-7]

[Text] Synthesizing what was presented in the first part of the article in connection with foreign trade's contribution to the country's development in the existing structure, it can be concluded that its role in Romania's economy has been manifested in increasing our efforts to vigorously implement the strategy for eliminating the inherited backwardness and forging the multilaterally developed socialist society, along the coordinates meant to consolidate national independence. In promoting the development strategy aimed at expanding the economic base and achieving rapid and broad industrialization, Romania rejected the idea that the boosting and progress of the national economy have to be done according to the criterion of the comparative advantages held in the period immediately after the war. In proportion to the creation and consolidation of socialism's technical-material base, the economic policy has demonstrated the capacity to utilize--within the limits given by the general orientation for the economy's diversification and its independent development--the dynamic comparative advantages springing from the progress made and capable of continually manifesting themselves as a result of the expected constant economic growth.

Foreign Trade--an Instrument for Improving the Economic Structures

The determination of foreign trade's role in socialist Romania's economy presupposes the analysis of its more and more marked influence on the production structures. Characteristic of the period of industrialization, having as a basis the Romanian Communist Party's advanced, scientific view on the development strategy, the process of expanded reproduction occurred over a wide front of fields and problems, entailing a big effort and a big volume of resources as well as massive assimilations of technologies and products. In the 1970's, foreign trade increased its autonomy, especially due to the greater possibilities of exportation, impelled by the growth and modernization of the production potential and by the stimulative measures in this regard.

The stage of maturity that Romanian industry reached from the viewpoint of the general branch structure, reflected by the high percentage of the machine-building, chemical, and metallurgical industries, led to the considerable modification of the supply of goods for exportation in favor of processed ones. The fact that these changes coincided with the changes in the structure of

industry in the world up to the end of the last decade has permitted precisely the products of the above-mentioned branches to now have a majority in the structure of Romania's exports. In this way, the structural disadvantage by which Romanian exportation was marked at the start of the 1960's, in comparison with the direction of the evolution of the world demand, was overcome to a considerable degree in the last decade through the efforts to adapt the supply, under the impact of the development and diversification of the national economy. The vitality of exports was due essentially to the changes in their structure from the viewpoint of the quality and assortment range--through considerable diversification--of the products furnished by the peak branches, particularly machine building. The data on the intrabranche foreign trade in the total trade exchanges, showing the way in which our country joins in the world trend of developing the specialization of this type, attest to continual growth in the respective coefficient, from 61 percent in 1950 to 75.9 percent in 1979. The greatest similarity between the structure of exports and the structure of imports by Romania is seen in the exchanges with the socialist countries, the most marked difference is seen in the relations with the developing countries, and the trade with the developed capitalist countries suggests progress.

At the macroeconomic level, the sensitivity of the proportions of expanded reproduction to the action of our foreign trade exchanges is manifested through their contribution to the evolution of the correlation between the two sectors of social production. The calculations for the 1960-1970 period show that, unlike other factors with influences on the respective ratio, foreign trade led to the decline of the intensity of the growth particularly of the production of means of production in relation to the production of consumer goods. Its relatively low contribution to the evolution of the correlation, by virtue of the insufficient percentage held in national production in the respective period, did not lead to the inversion of the greater-than-one ratio between the two sectors but only lowered it. Thus, as a result of our party's correct, scientific view on the evolution of the different components of the process of expanded reproduction, the drop in the percentage of the sales of raw materials and fuels was bigger than the rise in the sales of machines and equipment influencing the correlation in a downward direction: At the same time, the importance of the purchases of means of production having the same effect increases. In the 1970's, the exportation of means of production increased, which influenced the ratio between the two sectors in an upward direction, more markedly that the opposite action of increasing the sales of consumer goods abroad. In addition, the percentage of the means for production and investments in the volume of importation increased.

In the RCP's economic policy, the matter of the growing utilization of foreign trade as an instrument for improving the economic structures is closely connected with properly considering its role in utilizing resources as efficiently as possible under the continually changing international circumstances. The meeting of the requirements resulting from the complex interdependences between domestic development and foreign exchanges has required the continual adaptation of the national supply to the structure of the world demand through the modernization of the branch structure of the economy. Our own structural model considers Romania's relatively constant conditions in general and the

tendencies generated in production to apply the new technical and economic advances as well as the directions that appear in the international division of labor. The actions undertaken in recent years on the personal instructions of the party's secretary general, Comrade Nicolae Ceausescu, and the objectives defined for the 1986-1990 5-year period spring from the concern that the elimination of the disproportions that appear and the qualitative and structural adaptation of the Romanian economy should respond to the requirement of balanced development with wide social effects.

Romania's greater participation in the international division of labor increased, on the other hand, the structural mobility of the production factors, with favorable effects on the modernization of the national economy. Along with the promotion of technical progress, the expansion of foreign exchanges led to the finding of substitutes for scarce resources, it being subordinate to the objective of reducing the disparities in the consumption of the different sectors in the period of the forging of socialism's technical-material base. Consequently, in our country's case, foreign trade not only manifested itself as a requirement for rapid industrialization but also represents a condition for increasing the degree of international competitiveness, which gives expression, in fact, to the effectiveness of the national effort. The creation and diversification of industry in Romania as a result of its firm economic-policy choices are the result of the simultaneous efforts to achieve a high rate of accumulation through the mobilization of all available resources and through the finding of substitutes for the scarce production factors. Inevitably, this process occurs inclusively under the impact of the foreign flows of resources attracted and of the level of utilization of the results of national labor on the world market. In the years of socialist construction, as a result of socialist industrialization and under its own impact on the steady promotion of it, Romanian foreign trade has experienced a radical change in structure. As the statistical data also show, in fact, up to the start of the 1960's, Romania was a net exporter of raw materials and food and, respectively, a net importer of manufactured goods, but in the first part of the last decade the exports of processed goods began to constantly exceed the imports of such products. At the start of the current decade, Romania had become an industrial-agrarian country, exporting in growing proportions machines and industrial consumer goods, including a relatively constant amount of agricultural products, in order to meet its need for raw materials and to supplement its range of equipment.

In the course of the above-mentioned process, exports played a positive role, contributing directly to the maintenance of a high rate of economic growth, including for the sectors in which the size or the rate of evolution of the domestic market constituted a limiting factor. However, it should be noted that the related necessity of finding new international outlets was found under the sign of efficiently utilizing the national and imported resources for the production of industrially processed goods.

The contribution of imports to the structural mobility of the production factors was conditioned by the rate of development of industry, which exceeded the evolution of the base of domestic resources, and, respectively, by the machine and equipment demand generated by the development of the processing

branches in conformity with the general strategy of industrialization. To this end, Romania's commercial policy pursued the establishment of long-term relations, the reduction and elimination of the barriers in the path of international trade, active participation in the international institutions with a worldwide character, and the wide diversification of cooperation in production and in sales of goods. The statistical data for the 1970's show that in this period metallurgy, metalworking machines, switchgear, radio-engineering products, ships, etc. were distinguished by a higher content of imported materials than the national average. The procurement of equipment from abroad had as a chief role not only the supplementation of the existing supply of fixed assets but also the promotion of peak technology.

In this way, the content of imported materials in exports has risen in accordance with the continual growth of exported industrial products and the complexity of the degree of processing of raw materials, which also holds true in the case of goods meant for consumption.

Intensive Growth--an Essential Component

The characteristics of the industrialization strategy adopted by our party and the high rates of development have led to the growth of the importance of economic ties with the outside world. This is, in fact, the chief feature of our economy's openness to the outside world and less one showing the influence of foreign exchanges on the sectorial structure of production, since the national economic complex was conceived to provide a balance in the configuration of the branches. The described situation brings new arguments in favor of urgency in drawing on the intensive factors of economic growth and raising the performance in the exportation of manufactured goods for the purpose of steadily achieving the balance of trade and payments with foreign countries, as the party's secretary general, Comrade Nicolae Ceausescu, has repeatedly stressed.

In the final analysis, Romania's commercial flows have given expression to the relative productivity and the national production effort, influencing not only the structure but also the volume of national product. The economy's continual development and its diversification have created the premises so that, gradually, foreign trade may have a greater impact on the proportions of reproduction and the volume and quality of the production factors. In the above-mentioned context, the synthetic indicators of development and some correlations between them offer images of the relationships of interdependence between foreign trade and economic growth in our country. We forgo the usual considerations connected with the proportion of trade in gross income, including because the direct significance of their dimensions is not distinguished in that way, and we present below one of the methods of correlating their growth. The testing in Romania's case, in the 1961-1970 period, done at the Institute of World Economics by means of a regression function ($y = a/bx$), shows that a 1-percent annual rise in the rate of exportation caused a 0.23-percent rise in national product. Continuing the calculations according to the same method, we found the elasticity b of 0.35 for the next decade and 0.44 for 1981-1983, which represents the average impact of a 1-percent rise in exportation on the rate of national product.

The use of this type of calculation reflects the fact that throughout the analyzed period both national product (more suitable than national income for comparison with the data offered by putting into correlation the gross national product in other countries) and exportation had a continually upward evolution. This correlation demonstrates the big influence of exports in supporting Romania's current economic growth.

As is known, the correlation between the rates of growth of exports and national product does not express exhaustively the whole mechanism for stimulating economic growth through foreign trade. The changes propagated throughout the economy by the import and export flows have the value of a multiplying effect, brought out by theory and by models, which have as a basis well-known arguments resulting from the reproduction equations. The formula

$$r = \frac{\Delta y}{(\Delta x - \Delta M)}$$

allows the multiplying effect (r) to be distinguished by relating the increase in income (Δy) to the difference between the increases in exportation (Δx) and importation (ΔM). In the case of an adverse balance of trade, the indicator (r) has a negative sign, in a mathematical sense, but, in reality, it indicates a positive effect--namely, the bigger it is, the smaller the imbalance is between exportation and importation. The testing done for Romania's case is limited both in time (the 1961-1975 period) and from the viewpoint of approximating the magnitude of r . The results indicate average r coefficients of -8.7 for 1961-1965, -4.9 for the 1966-1970 period, and 16.9 for 1971-1975. For all of the 1960's, the meaning assigned to the coefficient is verified, in the sense that if it is lower, the absolute difference between exports and imports is bigger. The coefficient's high value and its positive sign for 1971-1975 reflect a better utilization of goods for exportation, in a structure that permitted the neutralization of the explosion of import prices in the last years analyzed.

At the same time, a similarity is seen between the r coefficient's evolution in time and the average rate of growth of national income in the intervals of time analyzed (respectively, 9, 7.7, and 11.3 percent), which provides an additional justification of its significance as an indicator of the multiplying effect coming from foreign trade. The dimensions of r for Romania in the 1960's do not indicate a significant impact by foreign exchanges on the growth of national income, as compared with other countries, which, in fact, corresponds to their percentage in national social production. A speedup in the rate of economic growth under this impact is seen right from start of the 1970's and results from the changes occurring in the structure of exports, in conformity with the strategy for the country's fast industrial development.

The quantification of the above-mentioned influences deepens the analysis and has the mission of measuring the effect exercised by foreign trade on the material and value dimensions of the national income utilized.

However, the factorial index of the exchange ratio, which measures the amount of imported goods that can be purchased per unit of national labor, offers more complete indications of the characteristics of Romania's participation in the international division of labor in recent decades. By virtue of the social and economic conditions in our country and for the purposes of the

present analysis, we feel that it is enough to calculate it by multiplying the indices of the exchange ratio and of social labor productivity without also following its evolution according to categories of products and forgoing the inclusion of the variations occurring in the use of the work force. The calculations show the following evolution of the factorial index of the exchange ratio for Romania: 110.5 for the 1961-1965 period, 109.6 for the next 5 years, and 111.1 for 1971-1975. Leaving aside the intrinsic value of the order of magnitude of the above indicators, it is relevant that the constant rise in labor productivity provided high levels of utilization of national social labor. If indices of labor productivity from the export sectors could have been used, the significance of the factorial index for Romania would have been even higher, considering the growing percentage of the production of industry for exportation--a sector with an output per employed person above the national average. For the 1981-1985 period, with an estimated rise in industrial labor productivity by about 15.4 percent and in real pay by 8 percent and, respectively, in national product at an annual rate of approximately 4 percent, the competitiveness of the goods justified the further development of exports and implicitly supported economic growth.

The above offers a basis for judging that Romania's foreign economic exchanges were and are an important factor in the upsurge of the national production forces and in the raising of the qualitative level of economic and social activity. The offensive strategy adopted by our party in the field of economic development during the current world crisis consolidates the leading place conferred on foreign trade among the instruments meant to secure the fulfillment of the general tasks of socialist construction in our homeland. Accordingly, the objectives pursued in various commercial flows are subordinate to the role given to foreign trade by the economic policy and to Romania's basic position, springing from its status as a developing socialist country, regarding the promotion of mutually advantageous economic relations.

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WOZNIAK INTERVIEWED ON EARNINGS ISSUE

Warsaw ZYCIE WARSZAWY in Polish 23 May 86 p 3

[Interview with Marian Wozniak, member of the Political Bureau, secretary of the Central Committee of the PZPR, by Jozef Bartoszeski in GAZETA ROBOTNICZA 16 May 86]

[Text] [Question] "In our country the average earnings of a worker of higher education is 15 percent lower than the national average and about 25 percent lower than the average earnings of an industrial worker."

[Answer] "We return to the real utilization of human resources. It is a well studied method of evaluating work. Its essentials are, among others, coefficients defining the kinds of work from the viewpoint of the difficulty of performing the occupation, responsibility, the degree of complexity and qualifications. If this method is used correctly, it should turn out that two workers occupying the same position should have basically the same wages.

But pressure immediately begins not to introduce any salary ranges, to average everything and level everyone's wages to the mean. The old schemata of thinking prevail. The management personnel, therefore, has little variation in wages. The situation is similar with designers and technologists. The result? It does not always pay to have higher qualifications. And without good management personnel, correspondingly paid, we will not have good organization of the economy. Without changes in present practices, the majority will continue to be busy, but few will work efficiently. The effort of the laborer, the engineer and the economist will continue to be in vain.

For the master, the manager and the director to be able to organize modern and profitable production, they must be helped by the designer, the technologist, and the toolmaker. Therefore, these two groups are the brain of progress.

If the technologist does this effectively, let him earn three times as much as others. Is this so hard to understand? And yet it is very difficult. A devil sits in this badly understood concept of egalitarianism, and if we do not bid farewell to this devil, I'm afraid that we will not achieve our planned goals."

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BARCIKOWSKI ON RURAL SELF-GOVERNMENT

Warsaw ZYCIE WARSZAWY in Polish 23 May 86 p 3

[Interview with Kazimierz Barcikowski, member of the Political Bureau of the Central Committee of the PZPR, vice president of the State Council, by Krzysztof Matlak in GLOS SZCZECINSKI 17-18 May 86]

[Text] [Question] "Among the August and post-August postulates, the one concerning the increase in participation in government by working people was universal. This was fulfilled in the legislative sense, but did it fare so well in real life?

[Answer] "Extremely broad legal frameworks were created for the participation of working people in deciding local, regional and national affairs. Entirely new institutions arose. In conjunction with this, were all expectations fulfilled? Not completely. Very many people were engaged in the matter of self-government. However, they often lacked the knowledge to take advantage of their rights. Could it have been otherwise? No. Only the naive could state that all of the rural problems would be solved together with the institution of self-government. Many years are needed, much experience must be obtained. Territorial self-government does not have a rich tradition in Poland. Therefore we must learn. Patience is the most important thing. Hesitation cannot be permitted. Also essential is the resultant warning that self-government cannot be used for political, anti-state purposes. It happens rarely, but we have to deal with such instances."

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BRIEFS

BARCIKOWSKI ON 1980 EVENTS--[Question] "Let's look at the year 1980 again. In reading your speech made after the signing of the agreement, we can come to the conclusion that the apprehensions contained in it have come true, but the hopes have not been confirmed. Can these hopes ever be realized?" [Answer] "They can! But the essential conditions for success have not been fulfilled. First of all, the party did not have enough strength and wisdom to lead in this direction. It turned out that our administration was too rusty. It had lost the ability for leadership. We could not allow this entire movement to switch to an anti-socialist path. At that time a large portion of its leadership joined with the international manipulations of Polish affairs. It's a shame, a great shame that we could not take advantage of the chance provided by this movement; a great amount of social energy was wasted. [Interview with Kazimierz Barcikowski, vice president of the State Council, member of the Political Bureau of the Central Committee of the PZPR, by Krzysztof Matlak in GLOS SZCZECINSKI 17-18 May 86] [Text] [Warsaw POLITYKA in Polish 31 May 86 p 2] 12972

SELF-MANAGEMENT PROLIFERATION CRITICIZED--"...I am of the opinion that we should centralize 20-25 percent of the economy and put a stop to these arguments. This is also the experience of the world. After all, the discussion about the structures in the metallurgy industry is ridiculous. Please tell me where, in what country, the mills function independently? But among us, in the name of falsely understood self-management and self-government, we did not agree to centralization in this area. And what resulted from this? There was a growth in turnover within the mills, which hurt production, the quality of goods declined and costs rose. Now common ownership of the mills has arisen; it will certainly not solve all the problems, but it may improve the present situation. Metallurgy as a whole has too much effect on the economy, the economy depends too much on it, for the state to let its situation be shaped only by market processes." [Interview with Marian Wozniak, secretary of the Central Committee of the PZPR, member of the Political Bureau, by Jozef Bartoszewski in GAZETA ROBOTNICZA 16 May 86] [Text] [Warsaw POLITYKA in Polish 31 May 86 p 2] 12972

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RURAL, URBAN 'CONFLICT' NOTED IN LETTERS

Warsaw POLITYKA in Polish 31 May 86 p 3

[Text] The perennial theme of the relations--alliance or conflict--between the city and the village was discussed in ODRODZENIE (20/86) by scientists, workers and farmers.

The discussion became heated, and if it lacked civility--it did not lack breadth. "In the present social consciousness farmers are being coddled, and they have trumped up this sense of discrimination, they have dreamt up their misfortune." (K. Krzywicki, master from the "Ursus" factories); or also: "The state keeps flirting with the peasants, who do nothing except fuss and cling together. How can we talk about an alliance when everyone plays solo" (Z. Choinski, worker from the ZPOW in Bielawa). On the other side, however: "Can we ignore the fact that for three years the wages for non-agricultural work rose by 20 percent annually while the prices at the agricultural purchasing centers rose by only nine percent? The wives of intellectuals and workers have bathtubs in their apartments with hot and cold running water, and for that treasure the state pays for waterworks and sewer systems. But the wives of the farmers carry water from the wells and no one pays them for it. It's the same with heating. The state pays for the central heating for those who have radiators--for those who purchase coal with the greatest effort, load it with shovels, carry it for kilometers, and burn it themselves in their stoves--no one pays. And social works? Television praises the farmers in Czarna Wolka for building their own school, waterworks and health facility. I'm sorry, but why haven't the residents of Marszalkowska Street gotten the idea to build their own school or waterworks?" (A. Bochenski, publicist). And also: "The city sucks in the most valuable people, repaying them with disparate wages, the inequality of socio-cultural institutions, the difficulties of admittance to studios, etc." (R. Karolak, president of the RSP [Agricultural Producer Cooperative] in Dabrowa Wielka).

In the extremely broad discussion, which--in excerpts--covered two pages of the newspaper, both sides presented a whole catalog of wrongs and handicaps (each provided its own, for each considered itself wronged and handicapped) and this characteristic contest lasted throughout the discussion. The "peasant faction" and its supporters emphasized the various difficulties of village life, and especially the unhappy lot of village farmers ("...machines first took the place of the horses, then of the work of men and children, but

they still have not taken the place of women's work. This causes the exodus of the young and problems with finding wives for the farmers" (H. Rafalski--Professor at the AM [Academy of Medicine] in Lodz); the "city faction" emphasized the difficulties of life in the city ("A textile worker who lives near Lodz and begins work at six also wakes up at three. And later, after work, stands in a line at the store to finally return with her purchases to Pabianice. And so it goes, over and over again"--Dr A. Tudek of the Research Institute of the Working Class in the ANS [Academy of Social Sciences]).

K. Komornicki, a farmer of the first generation, summed it up briefly: "It's true, neither one nor the other has it good." K. Krzywik completed this assertion: "...The same shortcomings and deficiencies are in the village as in the city. Both there and here there are millionaires, those of average income and those on the borderline of poverty."

The majority of the participants in the dispute sought the reasons for the clash between the city and the village in the past, and not exclusively in the errors of the economic policy of the PRL: "We have made even greater errors in social policy than in economic policy, despite the fact that we had the instruments here to set it in motion. The thesis that the village can advance only through the city and heavy industry weighs exceptionally heavily on social policy, which favors keeping the huge discrepancies which also influence the biological differentiation and physical development of children and youths, and which is no longer evident in our neighbors in Czechoslovakia and the GDR." (H. Rafalski)

Professor J. Szczepanski searched for the sources of the failure in preventing the said conflict up till now in the fact that it has been treated only on the macro scale: "The effectiveness of policy depends in the end on individual reactions. Every social creation is a "radiation" of individuality. Without recognizing this, and at least appealing to it, it is hard to understand the drama of social processes and the complexity of "village-city" relations. Therefore I think--and this is my modest proposal, that the first necessity is precise research and study of these relations, not within the categories of a rational system, but within the categories of the respective behavior of the residents of the cities and the villages, in the background of the entire complexity of the present situation."

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END